EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday September 20 1990

D 8523A

CAR MAKERS
Fighting to survive in tough Taiwan
Page 7

World News

Assassination attempt may mean tighter UK security

An Irish Republican Army assassination attempt on former Gibraltar Governor Sir Peter Terry may result in a wide-ranging overhaul of security by the British Government. Sir Peter, governor when three IRA members were shot dead in Gibraltar, was seriously wounded during a gun attack at his home in the English Midlands. Page 16

Ryzhkov pressure

Pressure on Soviet Prime Minister Nikolai Ryzhkov to resign was stepped up when the Russian parliament demanded formally that he quit. Page 5

Peace talks collapse

The acrimonious collapse of Cambodian peace talks in Bangkok could seriously delay international efforts to end a decade of civil war. France has offered to host another conference. Page 6

Winnie Mandela held

Winnie Mandela, already facing charges of kidnap and assault, was briefly detained by police when spent rifle cartridges were found in her car.

Massachusetts upset

Boston University president John Silber, written off a week ago, won the Democratic nomination for governor of Massachusetts. Page 4

Seoul sackings

President Roh Tae-woo of South Korea sacked two ministers and transferred a third after criticism over farm policy and severe flooding. Page 6

Basques burn buses

Several hundred demonstrators protesting at the killing of a Basque guerrilla by Spanish police set up barricades and burned buses and cars in San Sebastian and Bilbao.

Havel foresees crisis

Economic crisis could threaten the Czechoslovak government by the end of the year unless privatisation and a purge of bureaucrats were carried out speedily, President Vaclav Havel said in an interview.

PanAm bomb charge

Greece charged a Palestinian with premeditated murder in the 1982 bombing of a PanAm airliner bound for Hawaii from Japan.

Hanoi olive branch

Vietnamese Vice-Premier General Vo Nguyen Giap arrived in China for Hanoi's highest-level official visit since the two countries fought a brief border war in 1979. War hero Giap said it was time to normalise relations. Page 6

Threat to computers

A flawed computer virus program could "freeze" infected personal computers throughout the world on Saturday. Australian scientists said the hard-to-detect program corrupts files with gibberish.

Ben Bella comeback

Former Algerian President Ahmed Ben Bella, due home from exile this month, said on French television that he did not rule out a brief return to power.

Deputies accused

An East German parliamentary commission said it suspected nine unnamed deputies of having been informers for security police and wanted their immediate resignation. Amnesty delay, Page 5

Tokyo typhoon

Typhoon Flo, the most powerful storm to hit Japan in almost three decades, roared towards Tokyo, leaving 10 dead and nine missing in a trail of destruction.

Holy water rationing

Pilgrims to Lourdes Roman Catholic shrine are restricted to one glass of holy water each because of French drought.

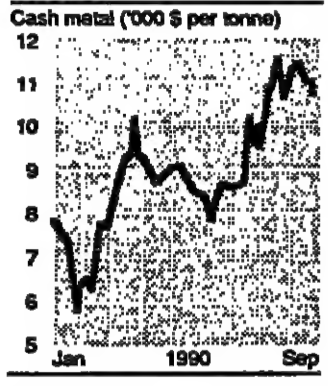
Business Summary

Brussels withdraws plan for farm subsidy cuts

Raymond MacSharry, EC Agriculture Commissioner, withdrew proposals for cutting agriculture support by 30 per cent over 10 years after several of his fellow commissioners argued that the EC should go further in reducing the subsidies paid to encourage farm exports. Mr MacSharry said this was an unjustified concession to US demands. Earlier report, Page 7

MARKETS: Nickel: The London Metal Exchange price for immediate delivery fell by $292.50 to $10,745 a tonne, despite news that PT International Nickel Indonesia has, for the second time this year, announced a substantial reduction in its expected metal production. Tokyo: The Nikkei registered a new low for the year, falling 158.65 in indecisive trading to close at 23,726.17. Wall Street: The Dow Jones Industrial Average stood lower at midsession, down 16.83 at 2,554.46, after rising 3.96 on Tuesday to close at 2,571.29. Frankfurt: DAX fell by 19.73 to close at 1,487.54. Back Page, Section II

Nickel
Cash metal ('000 $ per tonne)



BRITISH Telecom and a Thai partner are to upgrade Thailand's telephone system in deal worth £3bn ($5.6bn). Page 16

DAIMLER-Benz, West German industrial combine, and companies in Mitsubishi grouping, Japan's largest corporate family, unveiled plans for 11 actual and potential joint projects. Page 17

TESCO, UK food retailing group, recorded a 28 per cent gain in interim pre-tax profits. Page 17; Lex, Page 16

AIR France, French national airline, is to launch economy drive and spending freeze to cope with difficult market conditions. Page 17

BOLIVIA, Tunisia and Venezuela completed the process for joining Gatt. Page 7

GENERALE de Banque, Belgium's biggest commercial bank, said consolidated first-half net profits increased by 3.8 per cent to BFr4.24bn ($153m). Page 18

STELCO, Canada's second biggest steelmaker, is to halve dividend and adopt austerity measures after a downturn in North American steel markets. Page 19

PRIME Motor Inns, New Jersey-based hotel and motor inn company, has filed for protection under Chapter 11 of US Bankruptcy Code. Page 19

BCE, Canadian conglomerate which takes in Bell Canada and Northern Telecom, is to join US and Mexican interests in a joint bid for 20 per cent of Telefonos de Mexico, the Mexican state-owned telecommunications company. Page 19

MALAYSIA Mining Corporation, Malaysia's largest mining group, reported 51 per cent drop in first-half pre-tax profits to M$30m (US$11m). Page 20

BURNS, Philp, Sydney-based food technology and hardware group, was held to a 2 per cent earnings rise in the year to June. Page 20

Greenspan says Gulf crisis adds to US recession risk

By Peter Riddell, US Editor, in Washington

HIGHER OIL prices might add up to 2 per cent to US consumer prices over the next year and reduce total output by 1 per cent, Mr Alan Greenspan, the chairman of the Federal Reserve, said yesterday.

He warned that the US economy faced "new and substantial risks" as a result of the Gulf crisis.

Testifying before the Joint Economic Committee of Congress, Mr Greenspan said that while the US economy was growing "very slowly," there was so far "no evidence it is tilting" into recession.

He acknowledged, however, that the current growth "may not go on indefinitely" and the possibility of a recession had "clearly risen with the onset of the Gulf crisis and the oil shock."

In his gloomiest assessment to date, Mr Greenspan forecast that higher oil prices might add between 1¼ and 2 per cent to US consumer prices over the next year on the assumption of average crude prices of just under $30 a barrel, or $10 higher than in July. This would also add $30bn to the annual US oil import bill.

He warned that the core rate of consumer price inflation may have crept higher before the crisis and now "the chance of a significant break soon in the inflation trend would seem to have diminished in view of the additional pressures from oil prices."

Coinciding with his evidence, the Fed published its regular Beige Book survey of regional economic conditions showing that activity is "expanding more slowly or declining" in most districts.

Weakness is most apparent in the north-eastern and mid-Atlantic (from New York to the south) areas.

While patterns of consumer spending vary widely, rates of increase are generally slowing. Assessments of manufacturing range from moderate expansion to absolute declines with, on average, little movement in orders or production.

This survey will be taken into account when the Fed's policymaking Open Market Committee reviews monetary policy on October 2.

Mr Greenspan was characteristically cautious, even at times opaque, in his views yesterday, stressing the high degree of uncertainty in assessing the impact of the Gulf crisis.

He did not believe the crisis had completely restricted the Fed's room for manoeuvre, although he warned that a cut in short-term interest rates would not necessarily be matched by lower long-term rates which are crucial for investment and mortgages.

He said "policy actions that are not perceived to be consistent with a stable, non-inflationary economic environment could easily be counterproductive over the long haul."

Mr Greenspan indicated impatience with the slow pace of the discussions about cutting the Federal budget deficit, now being conducted by a small group of White House officials and Congressional leaders in the hope of breaking the stalemate.

He said that if Congress enacted "a credible, long-term, enforceable budget agreement, I would expect long-term interest rates to decline."

He underlined that the Fed would then move towards ease to accommodate those changes in the capital markets, though he refused to say how much and when any cut in interest rates might be.

Contrary to some of the administration hopes about maintaining expansion uninterrupted, Mr Greenspan warned that "no one can guarantee that real growth will proceed smoothly, without a hitch on a quarter-to-quarter basis."

US spending cut urged, Page 4

MR John Major, Britain's Chancellor of the Exchequer, (left) announced a four-point plan to ease the debt burden of the poorest, most heavily indebted developing countries. He proposed at the Commonwealth Finance Ministers' meeting in Port of Spain, Trinidad that creditor nations should double their official debt write-offs and agree more generous rescheduling terms. The previously agreed "Toronto Terms" had proved insufficient to tackle debtors' problems, Mr Major said. Page 16

IMF warns against oil subsidies

By Stephen Fidler, Euromarkets Correspondent, in Washington

ANY ATTEMPT to soften the blow of higher oil prices would be counter-productive and their impact should be passed straight through to consumers, the International Monetary Fund said yesterday.

In its most important regular assessment of the world economy, the World Economic Outlook, the Fund urged western governments to learn the lessons of the 1970s. There should be no attempts to subsidise oil prices to western consumers or ease the impact by loosening monetary policy.

The Fund said that relaxing monetary policy would lead to pressures that "would evolve into an inflationary process of increasing severity."

Mr Jacob Frenkel, chief IMF economist, said the impact of higher oil prices would be less severe than in the two oil shocks of the 1970s. Assuming no war broke out, the absolute increase in oil prices looked likely to be less than on either occasion. The industrialised countries had weaned themselves away from oil as a result of conservation measures introduced since the 1970s.

He cited three reasons which should stop governments subsidising oil prices:

- subsidies would worsen fiscal deficits and add an additional burden to government budgets;
- market intervention would lead to pressures that would one day burst, and also lead to a misallocation of resources;
- subsidies would run counter to conservation efforts, which have already helped industrialised countries cope with higher oil prices.

The report predicts a modest slowdown in growth in the industrialised countries and a rise in inflation because of higher oil prices.

But the impact on east Europe is expected to be especially severe. These countries are highly dependent on oil as a source of energy, and are already suffering the impact of economic reform and the ending of subsidies on energy exports from the Soviet Union.

The report comes as a senior monetary official in Washington outlined details of IMF proposals to soften the blow of higher oil prices on some developing countries.

These would provide for interest rate concessions on IMF credits for those countries hit worst by the Gulf crisis outside the Middle East.

The idea, according to the official, would be for countries benefiting directly from higher oil prices to establish a fund to subsidise interest payments to these countries. The poorest countries already have access to subsidised Fund credits, but richer countries, such as Philippines, India, Brazil and Jamaica, did not.

The proposal is likely to be considered when the finance ministers and central bank governors of the Group of Seven industrialised countries meet in Washington at the weekend. The meeting precedes the annual meetings of the IMF and World bank.

However, the official said it was not felt that a special oil facility was needed and there was sufficient flexibility within current rules to accommodate increased borrowings from needy countries.

Reinforcing the analysis of the World Economic Outlook, the official said industrialised countries should leave their targets for nominal growth in gross domestic product unchanged. A rise in oil prices would therefore mean that higher inflation would be offset by lower growth. However, this would lead to improved prospects for growth in the medium term.

He described the current rise in oil prices as a "small oil shock without recycling," in a reference to the recycling of Opec oil surpluses that commercial banks undertook in the 1970s.

Details, page 4

Pound upset by Pöhl remarks on inflation and EMU

By Andrew Fisher in Frankfurt and Peter Marsh in London

STERLING fell sharply yesterday after Mr Karl Otto Pöhl, the Bundesbank president, appeared to suggest that Britain is some way from controlling inflation and is unlikely to join the exchange rate mechanism of the European Monetary System soon.

Mr Pöhl said in Frankfurt that countries with high inflation levels might find it hard to become full members of a European Monetary Union.

He said: "I don't want to name any country, but a country with an inflation rate three times as high as Germany's cannot link its currency to the D-Mark for all time without mass unemployment and enormous payments problems."

The pound fell by more than 3 cents after analysts said the comments underlined the difficulties for Britain of an early entry into the ERM while inflation remains high. The drop also underlined nervousness in financial markets about the outlook for the UK economy, which some analysts believe may be moving into recession.

Britain's inflation rate is running at 10.6 per cent a year, compared with a European Community average of 5.5 per cent. In West Germany inflation is running at 2.4 per cent a year.

The British Treasury said it would not comment without seeing the full text of Mr Pöhl remarks.

The comments by Mr Pöhl were part of a broad and detailed reassertion of the German central bank's opposition to rapid moves towards European Monetary Union. He presented arguments which the Bundesbank is to urge the Bonn Government to pursue at the next European Community summit in December.

While denying he was stepping on the EMU brakes, Mr Pöhl said the Bundesbank saw it as its duty to set out the conditions to be fulfilled before an acceptable monetary union could be achieved.

He said: "It is very important, and not always understood, that monetary union means doing away with the exchange rate as a corrective to divergent economic developments."

In that part of his comments which affected sterling, Mr

Continued on Page 16
Markets, Second Section

UN close to approval of air blockade against Iraq

By Ivo Dawnay in Budapest and Michael Littlejohns in New York

AN AIR blockade of Iraq endorsed by the United Nations is imminent following agreement between the five permanent members of the United Nations Security Council.

The move, the first of its kind in the history of aviation, will involve draconian restrictions on flights to and from Iraq and Kuwait.

The agreement underlines the determination of the international community to increase pressure on an ever more isolated Iraq.

The rapid progress of the five powers – Britain, China, France, the Soviet Union and the US – in pulling together proposals to extend the existing trade embargo and naval blockade of Iraq was revealed yesterday by Mrs Margaret Thatcher, the British Prime Minister.

Questioned on the air blockade during her two-day official visit to Hungary, Mrs Thatcher said:

"We have been working for an agreement with the Five and I believe it has been reached."

This was later confirmed by officials at the UN in New York.

A text drafted by the Five now awaits the opinion of the 10 elected members of the Council. Nine affirmative votes are needed to adopt a resolution and UN diplomats said they were confident the resolution would be approved.

Yemen, the only Arab member, and Cuba might withhold support, even if they did not vote against the resolution when it comes before the Council, probably on Friday. The resolution, the eighth since Iraqi troops invaded Kuwait on August 2, would also authorise the arrest of Iraqi ships in their ports if there was evidence of sanctions violation. It would further reaffirm the need to freeze Iraqi and Kuwait assets.

An embargo could be enforced by insisting that any aircraft flying to Baghdad would be required to land at an airport in a neighbouring territory when it sought overflying permission.

On landing, its cargo would be inspected to ensure that it did not conflict with the terms of the exisiting sanctions. Only cargos of essential food and medical supplies would be allowed through.

Japanese banks seek loans to meet capital ratio regulations

By Stefan Wagstyl in Tokyo

JAPANESE banks, in need of funds to reinforce their capital, are seeking subordinated loans from industrial groups among their customers. Subordinated loans are those under which lenders do not have first priority on a company's assets in the event of financial difficulties.

The move is an indication of the serious damage done to the banks' balance sheets by this year's plunge in the Japanese stock market.

The banks need funds to meet tough regulations on capital adequacy laid down by the Bank for International Settlements (BIS). Although BIS rules do not come fully into effect until March 1993, banks want to repair their capital positions by the end of this month, the next financial reporting date.

In an effort to raise more than Y2,000bn ($14.3bn) in a few weeks, the banks have deluged the capital markets with issues of subordinated notes. They have also turned to Japanese life insurance companies for loans.

No bank has admitted to turning to its customers for help. An executive at one leading bank said it would not consider such a move.

But several industrial groups said yesterday they had been asked for money. Among them was Toyota Motor, which has available cash of Y2,800bn – itself enough to meet most of the banks' immediate.

Toyota said: "We have been approached by several banks and have made loans. We have also done this in the past when the banks asked for help. Now the banks need to improve their capital ratios and they are talking to us about subordinated loans."

Nissan Motor told a similar story: "We have been approached by several banks with which we have business contacts. We are considering these proposals favourably." Nippon Oil, the largest oil distributor, said it was studying firm requests from two banks and expected to receive several more by the end of the month.

The Japanese Ministry of Finance bans direct loans from industrial companies to banks, but loans made by the manufacturers' financial subsidiaries are permitted. The difficulties caused for banks by this year's plunge in Tokyo's markets has prompted the ministry to relax some of the regulations on fund-raising.

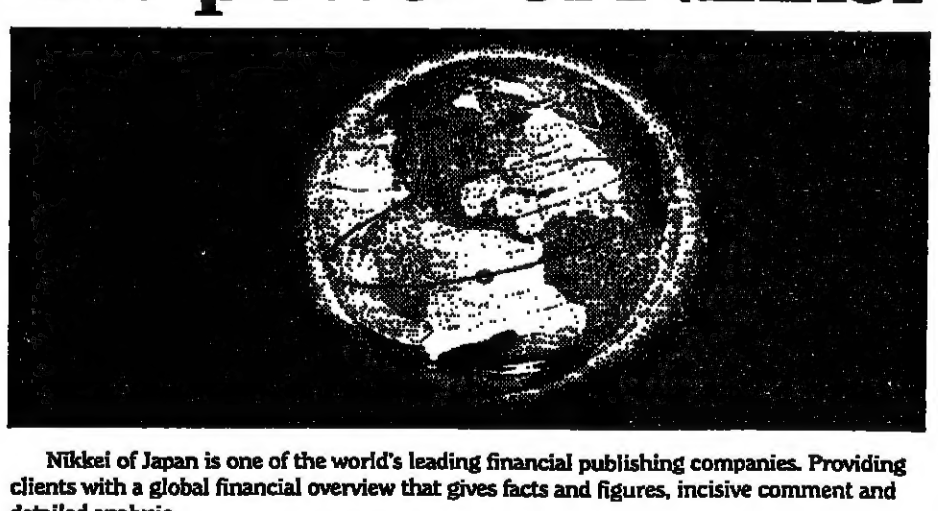
Until this summer, only the three long-term credit banks were allowed to issue subordinated debt. Commercial banks were banned, under regulations dividing the privileges of different kinds of bank in Japan.

But in July, Sumitomo Bank secured the ministry's permission for a $1bn subordinated note issue, made by an overseas subsidiary of the bank.

A rush of other issues followed, helping to drive yen interest rates to their highest levels this year. At home, the long-term credit banks have retained their monopoly of note issues, but commercial banks have been permitted to tap life insurance companies and others directly for subordinated loans.

Continued on Page 16

Explore the power of Nikkei



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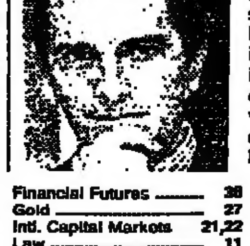
President Collor lowers Brazil's nuclear aims



A secret programme started in the 1970s has brought Brazilian scientists within a hair's breadth of building a nuclear bomb. But President Collor de Mello assures the west the project has ceased

Page 4

MARKETS

STERLING
New York lunchtime:
$1.8845
London:
$1.885 (1.919)
DM2.955 (2.97)
FFr9.8975 (9.95)
SFr2.46 (2.46)
Y259.25 (263.75)
£ Index 94.0 (94.9)

GOLD
New York: Comex Dec
$391.4 (393.50)
London:
$386.75 (388.0)

N SEA OIL (Argus)
Brent 15-day Nov
$32.475 (32.875)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.569
FFr5.2550
SFr1.3055
Y137.575
London:
DM1.568 (1.548)
FFr5.25 (5.185)
SFr1.3055 (1.282)
Y137.55 (137.45)
$ index 62.8 (62.3)
Tokyo close: Y138.05

US lunchtime rates
Fed Funds 7⅞%
3-mo Treasury Bills:
yield: 7.60%
Long Bond:
97 1/32
yield: 9.03%

STOCK INDICES
FT-SE 100:
2,065.6 (+1.8)
FT Ordinary:
1,576.1 (−0.7)
FT-A All-Share:
1,000.73 (−0.1%)
New York lunchtime:
DJ Ind. Av.
2,560.40 (−10.89)
S&P Comp
317.68 (−0.9)
Tokyo: Nikkei
23,726.17 (−158.65)

LONDON MONEY
3-mo interbank close:
14 15/16-14 29/32% (14 29/32-14⅞)
Liffe long gilt future:
82 3/32 (82 21/32)

CRISIS IN THE GULF

Congress steps up criticism of Bush's Gulf policy

By Lionel Barber in Washington

PRESIDENT George Bush's honeymoon with Congress on the Gulf crisis is over.

Last week, members vented their frustration with Japan and West Germany for failing to contribute adequately to Operation Desert Shield. This week, Democrats began the hunt for scapegoats at home to explain why, in Mr Bush's own words, the US is on the brink of war with Iraq.

The groundswell of Congressional criticism may simply reflect unease about the drift toward military hostilities in the absence of a diplomatic solution. What is clear is that domestic criticism previously confined to neo-isolationists on the right is spreading as Congress struggles to shape a role for itself in the crisis.

The most immediate problem for the Administration is whether to press ahead with its proposed $20bn (£10.8bn) arms package to Saudi Arabia, or whether to scale it back in the face of opposition from pro-Israeli members in the House of Representatives.

On Tuesday, Democrats such as Mr Tom Lantos of California and Mr Larry Smith of Florida accused the Administration of trying to sneak the Saudi package past a Congress preoccupied by the Federal budget negotiations and the November mid-term election. While predictable, their criticism has been enough to give the Congressional liaison people at the White House and State Department queasy stomachs.

Mr Richard Cheney, US Defence Secretary, remains hopeful that the arms package will go through. This week, he told Mr Moshe Arens, Israel's Defence Minister, that the US would look sympathetically on Jerusalem's request for an extra $1bn in military aid and sophisticated weapons, provided its supporters refrained from blocking the Saudi deal.

There is still some concern about the method of payment; Israel's debts put it in a much weaker bargaining position than cash-rich Saudi Arabia. More importantly, some members question why the Administration deems it necessary to sell the Saudis so much, so soon. Those with longer memories recall how the US armed the Shah of Iran to the teeth. "Yeah," said one Democrat, "and looked what happened to him."

A separate, but equally troublesome source of criticism concerns the Administration's earlier policy on Iraq, now branded as a major failure bordering on appeasement.

The debate began last week after the Iraqis – in a move clearly aimed at discrediting President Bush – provided a transcript of a meeting between President Saddam Hussein and Ms April Glaspie, US ambassador to Baghdad, on July 25, a few days before Iraq's invasion of Kuwait.

The most damaging revelation was Ms Glaspie's assertion that the US "has no opinion on the Arab-Arab conflicts like your border disagreement with Kuwait." More revealing, perhaps, was Ms Glaspie's later statement in an interview with The New York Times which appeared to corroborate this key point.

Obviously, said Ms Glaspie, "I didn't think – and nobody else did – that the Iraqis were going to take *all of* Kuwait."

The implication is that the Bush Administration was prepared to let Mr Saddam chew off disputed territory belonging to Kuwait, such as the two small Kuwaiti islands which perch astride Iraq's access to the Gulf as well as part of the Rumaila oil-field.

Democrats sense a political opening. This week, Mr John Kelly, the Assistant Secretary of State for the Middle East and the chief architect of the Iraq policy, was summoned to the House Foreign Affairs Committee and roasted for opposing sanctions against Baghdad, and for sending ambiguous signals about Washington's response to an invasion of Kuwait.

Mr Lee Hamilton, widely seen as a possible future Democratic Secretary of State, thundered at Mr Kelly: "I asked you if there was a commitment to come to Kuwait's defence if attacked. Your response over and over again was: we have no defence treaty relationship with any Gulf country."

Congressional criticism confined to the assistant secretary level is tolerable; the alarm bells will start ringing if it spreads upwards to Mr James Baker, the US Secretary of State.

Making Iraq 'airtight' poses range of problems

By Robert Graham

THE ultimate value of an air embargo against Iraq will be the ability to identify and isolate countries still seeking to provide assistance to Baghdad.

This is the view of military experts studying the impact of United Nations Security Council proposals to expand the current land and sea embargo to include goods reaching Iraq by air. The international community has no previous experience of operating an air embargo and the experts admit it will be difficult to make Iraq "airtight".

Only a small quantity of essential military and non-military supplies are believed to be reaching Iraq by air. These are understood to be primarily coming from Libya and Yemen (though not necessarily originating from these countries). They are being flown to Iraq, according to western intelligence officials, using either Jordanian or Syrian air space.

The proposals before the UN contain both exemptions and one clear loophole. The exemptions would cover humanitarian supplies of medicines and food shipments – although the latter would be judged case by case. Flights carrying refugees would also be exempt as would probably those carrying diplomats and officials.

The loophole centres round the inability to employ the ultimate sanction of shooting down aircraft which refuse to indentify themselves and their cargo. The 1944 Chicago convention on aviation has been amended to ban this in the wake of the 1983 downing of the Korean airliner by Soviet jets.

Nevertheless, countries seeking to enforce the embargo can employ a number of measures which will make a blockade "reasonably effective", according to Mr Andrew Duncan of the London-based International Institute for Strategic Studies.

The principal aspects of an air embargo would be:

● Flight Control. All aircraft bound for Iraq must obtain clearance from the air traffic control of its neighbours – Iran, Jordan, Syria, Saudi Arabia and Turkey. Clearance would be given only after the cargo had been verified. In principle the aircraft would be obliged to land before receiving clearance. Such procedure would also apply to aircraft flying over other countries and believed to be en route for Iraq.

● Interdiction. Aircraft denied air traffic control clearance would automatically lose their insurance cover. They would be challenged in the air by a combination of being "buzzed" and radio interference. Warning shots could also be fired. These aggressive challenges would deter all but the most determined of pilots.

It is recognised that Jordan, at least, may keep its airspace open to Iraqi-bound flights. However, defence experts point out that once an air embargo is agreed, it will be possible to monitor with reasonable accuracy those aircraft going in and out of Iraq. This would then enable the international community to take sanctions against the airline or the aircraft's country of origin – or both – for sanction busting.

Yassir Arafat, PLO chairman, walks hand in hand with Jordan's Crown Prince Hassan before talks in Amman on the Gulf crisis. King Hussein of Jordan yesterday launched a peace initiative and officials said he would insist on an Iraqi pullout from Kuwait as part of any deal. The king left for talks with Morocco's King Hassan and President Chadli Benjedid of Algeria.

Andreotti abandons ambivalent stance

By John Wyles in Rome

NEARLY seven weeks after the Iraqi invasion of Kuwait, a combination of external pressure from the US and internal prompting from coalition partners appears to have swung Mr Giulio Andreotti, Italy's Prime Minister, resolutely behind the western strategy for resolving the Gulf crisis.

His waverings during this period have brought him close to open conflict with ministerial colleagues, principally Mr Gianni De Michelis, the Foreign Minister, over the Italian contribution to the military build-up in the Gulf.

The divisions at the top of the Italian Government have risked embarrassing Italy as it leads the European Community during its current term in the EC presidency. France, Britain and the US have been privately critical of Italy's original decision to commit only two frigates and a support ship to the Gulf, and also about the ambiguity of some of Mr Andreotti's utterances on the crisis.

However, after meeting Mr James Baker, the US Secretary of State, last weekend, the Prime Minister issued an unequivocal statement of support for the western strategy. "If it is necessary to take military action, both to enforce the embargo and to demonstrate the will to go all the way, this must be done," said Mr Andreotti, who added that he would support sanctions against those countries that violate the embargo.

Within Italy, Mr Andreotti's reluctance to align himself with Franco-British positions on the Gulf is seen partly as reflecting the anti-war reflexes of an old-time Christian Democrat, and partly as a characteristic reaction to domestic political exigencies. From the outset, he decided that he did not want to spark outright opposition from the Italian Communist Party, and in spite of strong pressure from Mr De Michelis's Socialist Party and from the smaller Republican Party, the Prime Minister did not want to add to the token Italian naval force until it was clear that Italy was risking a diplomatic row with the US.

Last Friday, just before Mr Baker arrived in Rome, the Government announced that it would send another frigate and eight Tornado aircraft.

UK freezes bank accounts of supplier to Iraq

By Victor Mallet and Richard Donkin in London

BRITAIN yesterday froze several bank accounts of Iraqi-controlled companies in the UK which were part of a group supplying Iraq with equipment for its military industries.

The frozen accounts – some of them at Lloyds Bank – belong to Matrix Churchill, the Coventry-based machine tool firm, and its parent companies Technology and Development Group (TDG) and TMG Engineering.

However, Matrix Churchill, bankers and British officials said last night that the machine tool operation, which employs 600 people, could use some bank accounts and was continuing to trade.

Directors of Matrix met officials of the Department of Trade and Industry (DTI) yesterday to discuss the future of the company after the Bank of England had moved to freeze some accounts. The Bank declined to comment.

The move followed the US Government's decision to seize control of Matrix Churchill Corp of the US, and a British order expelling diplomats and a number of Iraqi businessmen associated with Iraqi procurement. Yesterday the DTI said Iraqi-owned companies in the UK should already have had their assets frozen. It could not explain why the authorities did not take action until yesterday.

It is understood, however, that the British government is anxious to avoid jeopardising jobs unnecessarily at one of the country's leading machine tool manufacturers, and is also uncertain about the legal implications of closing down a company such as Matrix.

British management of Matrix Churchill has been negotiating for six months to buy out the company from its Iraqi owners. Mr Peter Allen, sales and marketing director, said yesterday that negotiations were at an advanced stage. He would not disclose the purchase price.

At present UK management hold 11 per cent of Matrix, while 89 per cent is in Iraqi hands. Negotiations have been carried out with Mr Hana Jon and Mr Adnan al-Amiri, Iraqi directors of TDG. TDG is controlled by the Iraqi state.

The embargo on exports to Iraq suspended a £26m turnkey project by Matrix to establish a die-forging plant in Iraq. Most of the order had been sub-contracted and Matrix was able to invoke the force majeure clause in its contracts.

Iraq, meanwhile, announced yesterday it was seizing the assets of countries supporting sanctions against Baghdad, although various governments and banks said there was relatively little inside Iraq for Baghdad to seize. Non-Arabs are not allowed to own property in Iraq.

"All assets – cash deposits, property, interest and other revenue – belonging to the governments, institutions, companies and banks of the countries that have joined oppressive resolutions against Iraq are hereby confiscated," said the text of a new law reported by the Iraqi News Agency.

NEWS IN BRIEF

KGB chief concerned over Soviet citizens

Mr Vladimir Kryuchkov, the KGB chief, said yesterday the plight of about 90 Soviet military specialists in Iraq was worsening and Moscow would hold Baghdad responsible for their welfare, Reuter reports from Moscow.

"Conditions under which Soviet specialists are operating in Iraq have worsened lately," Mr Kryuchkov told a group of visiting executives from a US news organisation. "We hold Iraqi *authorities responsible for their lives and their state of health,*" he added.

The Soviet Foreign Ministry meanwhile denied Moscow had agreed to lend the US a large ship to ferry military equipment to the Gulf.

Nato boosts patrols

Nato yesterday agreed to send extra spy aircraft to the Gulf and warships to reinforce the eastern Mediterranean, alliance sources said, Reuter reports from Brussels.

Nato ambassadors approved the idea of sending more Awacs aircraft to Turkey. Some have already been patrolling the area. The meeting was also understood to have approved a US request to move an *alliance ship* – eight warships from different countries – to the eastern Mediterranean from its present deployment in the west.

Quayle denies Saddam threat

Vice-President Dan Quayle denied yesterday that the US intended to eliminate President Saddam Hussein of Iraq and said Washington would allow him to remain in power if he halted his military aggression, Reuter reports from Washington.

Saudis lift immigrant privileges

Saudi Arabia, angered by the pro-Iraq stance of Yemen and PLO, yesterday abolished privileges enjoyed by hundreds of thousands of Yemenis and Palestinians working in the oil-rich kingdom, Reuter reports from Nicosia. An interior ministry statement said all foreigners would be treated equally under the kingdom's strict immigration laws. Yemenis had been exmpted from the need to obtain entry visas, while Palestinians did not need sponsors to stay in the kingdom.

Argentina to send token force

By John Barham in Buenos Aires

PRESIDENT Carlos Menem of Argentina has ordered a combined Argentine force comprising about 100 soldiers, two transport aircraft and two navy vessels to join the international forces in the Gulf.

Mr Domingo Cavallo, Argentina's foreign minister, announced the decision on a nationwide broadcast on Tuesday night. Officials said the announcement followed a request on Monday by the Kuwaiti government-in-exile for Argentina to contribute to the forces.

Argentina is the first Latin American nation to send troops to the Gulf. An active Argentine role in the Gulf crisis has been hotly debated for months. A token presence there will distract Argentina's politically restless soldiers from domestic affairs. Also, a responsible international mission could also improve their image, darkened by violent repression in the 1970s and humiliating defeat in the Falklands conflict with Britain in 1982.

The troops' activities in the Gulf will have the added virtue of distracting public opinion from the country's severe economic problems. The government says Arab countries will meet the cost of deploying forces to the Gulf.

Mr Cavallo feels that participation in the Gulf forces could overcome Argentina's isolation and improve relations with the US. "Argentina wants to take part in the new world security system which will emerge as a consequence of this conflict."

Argentine diplomats believe their refusal to declare war on Germany until the final months of the Second World War deprived Argentina of American economic and political support in the postwar period.

Although relations between Washington and Buenos Aires are warm, the US has always been concerned about Argentine involvement in the Condor II, an intermediate range missile system, developed jointly with Egypt, Iraq and West Germany.

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CRISIS IN THE GULF

Turkey asks allies to repay $5bn Gulf 'costs'

By Jim Bodgener in Ankara

TURKEY has estimated that the Gulf crisis will cost it $5bn (£2.7bn). It is to press its compensation claim in Washington, both at this week's annual IMF/World Bank meeting and during next week's visit to the US of Mr Turgut Ozal, the Prime Minister.

However, Turkey's central bank governor said this week that the Turkish economy was robust enough to bear the extra costs caused by the crisis.

"The Turkish economy will not be ruined if the aid is not forthcoming," Mr Rusdu Saracoglu, the governor, said. He said Turkey's foreign exchange reserves have continued to build. "I think the resilience of the economy is such that this cost can be borne, and Turkey will continue to meet all its international obligations."

He said Turkey had acted on principle to which price tags could not be attached and would continue to do so, whether compensated or not. However, he added that "this crisis will set a precedent as to how the West acts towards its allies," alluding to Turkey's *claims both for direct aid and* for trade concessions, notably from the European Community.

The $5bn price tag covers a period of 12 months from the start of the crisis at the beginning of last month. This includes $1bn in lost exports to *Iraq, about $400m in lost con*tracting and transport services, $300m in lost oil pipeline revenues, about $1bn from higher oil prices, based on a price of $27 per barrel, and $700m in foregone Iraqi debt, net of Turkish debt servicing to Kuwait.

*In addition, the treasury esti*mates Turkey will this year lose about $1bn in tourism earnings, around $400m in foreign investment out off, and about $200m in invisibles such as loan issuance and workers remittances.

Compensation should reflect the fact that most of the costs are current transactions on the balance of payments, said Mr Saracoglu. Financing these costs with loans would only defer them. Mr Ozal has instead urged that Turkey would prefer "more aid, not trade".

Turkey would also expect current account items from Gulf countries benefiting from increased oil prices such as grants, or oil. Turkey took up to 60 per cent of its oil supplies from Iraq before the crisis.

Mr Saracoglu said that despite some pledges of aid, including an offer of $300m last week from the exiled Kuwaiti government, no money had been credited to the central bank. The EC has so far failed to agree on precise sums in an aid package for countries worst hit by the crisis.

On Turkey's capital account, two possible forms of compensation would carry important political weight. The first would be the release by the EC of an Ecu600m (£421m) loan, which had been discussed by the European Commission but which was blocked before the 1980 military coup and since frozen *on human rights* grounds.

The second would be the release by the World Bank of a second tranche of a financial sector adjustment package, which has long been withheld because of Turkey's non-compliance with its conditionality.

IMF reports, Page4

Correction

Churchill Hotel

The Churchill Hotel is owned by Park Lane Hotels of Hong Kong and not, as we stated in yesterday's FT, by Kuwaiti interests.

One of Syria's 1,500 commandos on parade in a gas mask at the *Syrian army position at Hafar al Batin in Saudi Arabia*

Israel may act against Saddam

By Hugh Carnegy in Jerusalem

Mr Yitzhak Shamir, Israel's Prime Minister, said yesterday Israel might have to act to remove President Saddam Hussein if the US failed to do so.

Mr Moshe Arens, his Defence Minister, added that Israeli forces were technologically superior to any in the region, including weapons systems "they don't even know about".

In one of a series of newspaper interviews to mark the Jewish New Year today, Mr Shamir was asked if Israel would have to "root out" Mr Saddam if Washington did not.

"Possibly, possibly," he replied. Reflecting the Government's concern that the current US-led action against Iraq might yet leave the regime intact, he said: "The situation could arise where we stand alone against Saddam Hussein, then we will have to find an answer to how to prevail against this evil."

Also speaking in a newspaper interview, Mr Arens said Israel still maintained a qualitative military edge over Arab armies thanks to advanced weaponry developed by the country's defence industries. "If we have to go to war now, the enemy will find the Israeli Defence Forces with technological surprises." He did not elaborate.

Behind these bellicose statements, however, Israeli ministers remain acutely concerned that huge US arms sales to Saudi Arabia threaten Israel's military superiority in the Middle East and may tip the balance of US relationships in the region away from Israel.

Mr Arens returned home yesterday from a trip to Washington to seek sharply increased military assistance to offset such sales saying the US would take some time to decide on his request, understood to be for $1bn in immediate aid as well as a $750m increase in the $1.8m annual aid Israel already receives from the US.

Israeli media reported that Mr Richard Cheney, the US Secretary of Defence, had agreed to lease Israel 15 F-15 fighters, two Patriot missile batteries and 10 CH-53 cargo *aircraft as an initial step.*

Saudi-US alliance comes out of the closet

Lara Marlowe reports from Dhahran on the sudden fruition of a long-standing friendship

THE Gulf crisis has forced Saudi Arabia and the US to abandon the discretion which has surrounded their alliance of at least four decades. "The American-Saudi alliance is out of the closet," says one enthusiastic Saudi official. "Our relations have never been better. Now the US realises that we – not Israel – are *the* strategic country in the Middle East."

After years of resisting American requests for military bases in Saudi Arabia so as not to offend Arab opinion, the Saudi royal family has now given the US armed forces free run of the Defence Ministry in Riyadh and all of the Kingdom's bases.

The US recognised the Al-Saud family monarchy in 1931 and two years later the Standard Oil Company of California obtained exclusive rights for oil exploration in Saudi Arabia. The US Military Training Mission and the US Army Corps of Engineers has been present in the Kingdom since the Second World War, when Saudi Arabia allowed the US to use its airfields.

Saudis admit that relations with the US are based on a common threat to their mutual interests. The two countries are bound by oil and money – not cultural affinity.

Many Saudis and Americans are already questioning the durability of an alliance between a superpower and a country in which women are not permitted to drive or sit in classrooms with men, religious police rap with sticks on shop windows to ensure they close five times a day for prayers, foreign publications are censored and Koranic law dictates public beheadings and amputations. Michael Jackson is banned.

The Iraqis used American television network footage of women dancing in front of US soldiers in Dhahran to try to discredit the Saudi government. Because of the "discomfort" caused to the Saudis the US military announced that future invitations to the variety show arranged by the American community would not be accepted.

Two questions are constantly asked here: when will the 170,000 US troops leave, and can Saudi society remain uninfluenced by the American presence?

The Saudi government has so far managed to quell opposition from religious leaders to the US deployment by reassuring them that American troops will leave as soon as they are asked to. The religious sheikhs are appointed by the government and are cautious but clear in their statements.

"As a principle, nobody liked the American troops coming here," said Sheikh Saad bin-Faez Al-Mudarah, rector of Prince Abdul Aziz Mosque in Dhahran. "But we are forced to accept it as a temporary measure. There are no problems between our governments, but the cultural differences might be an obstruction to friendship."

Religious leaders work in tandem with the *Mutawa* or religious police – members of the Community for the Encouragement of Virtue and the Discouragement of Vice. Fanciful as it may seem, Saudis say the *Mutawa* believe that "westernised" Saudis have connived with the Americans to eliminate the most conservative religious elements of Saudi society by sending them to the front to fight against the Iraqis.

For their part, the American Businessmen's Association (ABA) in Dhahran measures the need for friendship with Saudi Arabia: before the Gulf crisis, Saudi Arabia was already buying approximately $3bn worth of American weapons every year.

The ABA points out that neither Egypt or Israel pays cash – as the Saudis do – for their US arms. Some 26,000 Americans work in Saudi Arabia. The Kingdom controls 25 per cent of the world's oil reserves and is the largest foreign supplier of oil to the US.

Dr Bakr Abdullah Bakr, the American educated Saudi director of Dhahran's King Fahd University of Petroleum and Minerals, believes that mutual economic interest outweighs cultural differences. "The main interest of America here is to have oil produced, shipped and sold without disruption, so that they and their allies can have this vital commodity without risk. We depend on America more than it depends on us. The West is our market. A lot of Americans forget that we *need* to sell this oil. We cannot drink it."

Dr Bakr, however, also points to the fact that Saudi Arabia is paying its way. "We are paying most of the American army's expenses. It's not like Korea or Vietnam where the Americans came as a rich superpower. Saudi Arabia has been able to buy what it needed, rather than beg it."

Few Saudis harbour illusions about US motives in protecting their country and campaigning for the rights of Kuwaitis. Ms Faisa Ambah, a Saudi reporter for the English language Arab News, quoted a State Department official as saying that "If Kuwait grew carrots, the US wouldn't be here".

Ms Ambah added: "Why did they never care about the rights of the Palestinians? The crisis has focused a lot of peoples' minds on the Americans, because now we know what they are capable of doing if they want to."

Yet many Saudis fear the differences between the US and Saudi Arabia could be used as a pretext for the Americans to pull out if casualties became unacceptable. "I don't think it's a question of monarchy versus democracy," Ms Ambah said. "Costa Rica is a democracy, but the Americans would not accept huge casualties to *defend* it. Defending Saudi Arabia is not like defending their own country or Western Europe. They just don't feel the attachment."

Ms Ambah said she hoped the Gulf crisis might result in greater freedom for Saudi women. A Saudi publisher who asked not to be named said he would like to see a free flow of information into the Kingdom. Many Saudis said they admired the American work ethic and American efficiency. "There's a lot of red tape and bureaucracy that kills talent in Saudi Arabia. There is too much favouritism and mismanagement," the publisher said.

Yet even Saudis who have lived in the US said America had no right to judge their society or try to change it. "We are a very simple, traditional people," a Saudi diplomat said. "Americans see postcards of Saudi superhighways and shopping malls and they mistake that for modernity. Our leaders cannot do what Ataturk did in Turkey or what the Shah did in Iran." Most Saudis, he said, were conservative and would not accept a *rapid westernisation of society.*

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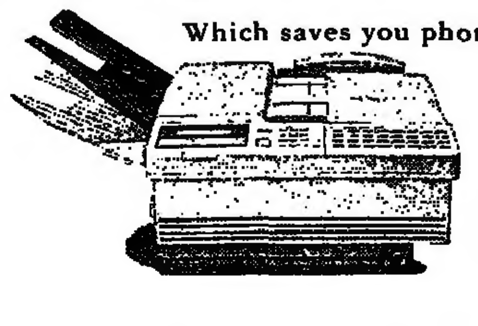

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AMERICAN NEWS

● IMF WORLD ECONOMIC OUTLOOK

Higher oil prices expected to hit growth

By Stephen Fidler, Euromarkets Correspondent, in Washington

HIGHER oil prices will intensify the expected slowdown of world economic growth, according to the International Monetary Fund.

Output is expected to expand 2 per cent this year and pick up slightly to 2.4 per cent in 1991, according to the Fund's World Economic Outlook, published today.

The Fund has lowered its expectations for growth since it last published its economic forecasts in the spring, largely because of higher oil prices. The new projections – which assume no war in the Gulf – are based on oil prices averaging $26 a barrel for the rest of this year, gradually declining to $21 by the end of next year.

The growth expectations compare with 3 per cent world output growth in 1989 and 4.1 per cent in 1988.

The forecasts show the output growth in the industrialised countries being trimmed to 2.6 per cent this year and 2.4 per cent next.

The Fund expects significantly slower growth in North America and the UK, but economic expansion remaining relatively strong in Japan and Germany.

Inflation in the industrial countries will also pick up to an average 4.8 per cent this year, before slipping to 4.3 per cent in 1991. Inflation averaged 4.4 per cent in these countries last year and 3.3 per cent in 1988.

In the developing countries, the revision has been sharper – growth will slow to 2.2 per cent this year before picking up to 4.2 per cent next.

If the oil price rise is larger, the Fund projects even higher inflation and even lower output and employment. Assuming a price of about $33 for the fourth quarter of 1990 – close to current oil market levels – and an average of almost $30 for next year, inflation in industrialised countries would rise above 5 per cent this year and stay at a similar level in 1991.

Output growth in the industrialised countries would slow to roughly 2.4 per cent this year and below 2 per cent next year. These higher prices would benefit output slightly in Britain and Canada, but further contract it in the other five countries of the Group of Seven.

IMF officials point out, however, that its projections do not take into account factors such as economic confidence. These would be likely to intensify the economic impact of higher and higher oil prices.

German unity 'will have positive effect'

By Peter Riddell, US Editor, in Washington

GERMAN unification should not pull down growth on the world economy, says the IMF World Economic Outlook.

It concludes that "while there may be some short-run negative effects on countries outside of Germany, these are likely to be relatively small and transitory. The overall effect on the world economy would be clearly positive as it would raise output in the industrial countries (particularly in Germany) in the short run and would have favourable effects on the productive capacity of the world economy in the longer run."

IMF economists argue that the short-to-medium-term impact of unification can be interpreted as an aggregate demand shock that will raise global investment relative to world saving. With large parts of the industrial world, including West Germany, operating at high levels of resource utilisation, the rise in demand will result in some upward pressures on prices and real interest rates.

But over the longer run the prospective growth of the capital stock and the more efficient allocation of capital and labour in the former East Germany will raise productive capacity in a united nation.

The analysis assumes that output per worker will rise over the next 10 years to about 80 per cent of its level in West Germany in the year 2001. With East German labour productivity now about 35 per cent of the West German level – which is assumed to grow at roughly 2½ per cent a year – the catch-up implies annual gains in output per worker in the former of about 10 per cent a year.

The IMF simulation suggests that unification would lead to an increase in the rate of growth of total output in the present West Germany of about 0.5 per cent this year and 0.75 per cent in 1991.

Subsequently, the rate of growth of output is estimated to be less than it would have been in the absence of unification, as the magnitude of the additional net demand from East Germany diminishes and as increases in real interest rates and exchange rate appreciation dampen the growth of domestic and foreign demand.

However, the level of output in West Germany remains higher than it would have been in the absence of unification.

A modest increase in inflation in the former West Germany is forecast, peaking at about half a point higher than would otherwise have been the case next year, and the financial market effects are relatively modest. But the negative effect on government finances is seen as substantial in the short term.

Shrinking in E Europe predicted

By Stephen Fidler

THE economies of eastern Europe will shrink by about 5½ per cent this year, while output will also contract in the Soviet Union, the IMF says in its World Economic Outlook.

This will be followed by another year of negative growth in 1991, partly as a result of higher oil prices compounded by high energy use in the region. Economic stagnation is also predicted next year for the Soviet Union, as the benefits it receives from higher oil prices will be limited by lower oil production because of the deteriorating infrastructure in the domestic oil industry.

For 1990, the drop in output will be most severe in East Germany and Poland, the countries that have introduced the deepest reforms. This is despite a substantial increase in activity in the non-socialised areas of both economies, which are both relatively small. The countries should be the first to reap the gains in efficiency resulting in the transition towards a market economy, however.

The decline in the Soviet economy this year is partly a result of the breakdown in labour discipline and of ethnic and regional conflicts. The Soviet Union and other countries in east Europe have also suffered a widespread failure of co-ordination among state enterprises.

In East Germany, Hungary, Poland and Yugoslavia, unemployment has grown and is likely to keep doing so.

US spending cuts and tax rises urged

By Peter Riddell, US Editor in Washington

HIGHER taxes as well as cuts in spending will have to form part of any package to reduce the US budget deficit, the IMF argues in its analysis of the outlook for individual countries.

The report repeatedly emphasises the need for wide-ranging fiscal action in the US to help raise national saving and "set the stage for a decline in interest rates and for exchange rate adjustments conducive to a reduced external deficit."

"To be consistent with the economy's need for saving, the long-term objective of the fiscal plan should be to balance the operational budget – the unified budget balance less the balance (surplus) of the social security trust fund.

"A decision to pare the size of the cut to be implemented out of concern that a large fiscal cut should trigger a recession would risk damaging credibility of the multi-year package that the budget summit is seeking, and thus keep interest rates from declining and raise the medium-term cost of fiscal adjustment."

The IMF economists note that Federal Reserve monetary policy has helped to avoid both a recession and a significant acceleration of inflation. But inflation has been stabilised at a relatively high rate.

"A sharp tightening of monetary policy aimed at a quick reduction of inflation could precipitate a recession – particularly in a situation where relatively high levels of corporate and household debt and the fragility of certain financial institutions raise the economy's vulnerability to high interest rates."

In relation to the UK, the IMF economists argue that the growth of demand is again proving to be more robust than expected.

"Moreover, the resistance of employers to wage demands, a crucial element in the restoration of sound economic conditions, has been weakened by favourable trends in industrial input prices."

Underlying earnings growth has risen and, with productivity falling, unit wage costs have risen at just over 10 per cent a year in the first quarter of 1990.

"On balance, these developments suggest that the process of adjustment will be protracted and will require maintenance of a stringent monetary policy for longer than previously thought."

"Although the continuation of a sizeable inflation differential with the core European Monetary System countries will tend to complicate the entry of the UK into the exchange rate mechanism, a widespread expectation that this will occur soon seems to have underpinned confidence in the pound sterling despite a continuing large external deficit."

On Japan, the report says that the pace of structural reform in areas such as land management and distribution must be intensified, both to improve economic efficiency and the welfare of the Japanese population, and to resolve trade disputes with Japan's trading partners.

Third World debt to grow 9%

By Stephen Fidler

THIRD World debt will expand by 9 per cent this year and next, despite initiatives aimed at lowering the debt burden of problem debtor countries, figures from the International Monetary Fund show.

The figures also show a greater share of this debt being owed to governments in the industrialised countries and a lower proportion being owed to banks.

The trend is likely to focus attention on initiatives on official debt relief, such as that announced in Trinidad yesterday by Mr John Major, the UK Chancellor.

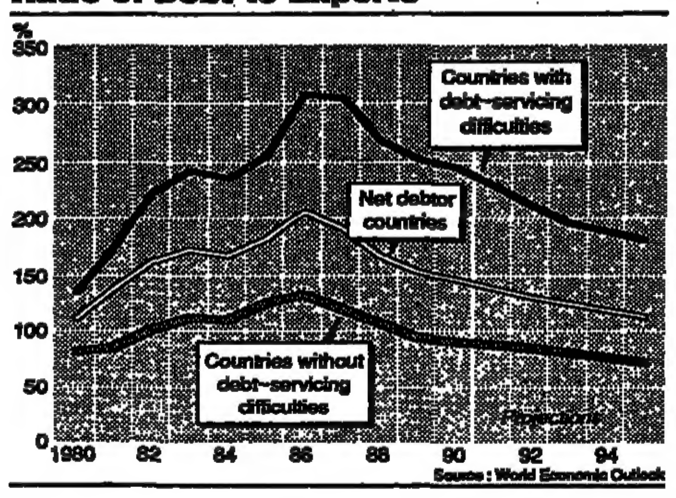
The figures show overall growth in debt to $1,354bn (£732bn) by the end of next year. But commercial bank debt is expected to fall by 1% per cent over the two years to $518bn.

The share of the debt owed to official creditors would rise from 42 per cent in 1989 to 45 per cent in 1991. Countries with recent debt-servicing difficulties account for three-quarters of the $100bn increase in official debt over the period.

This reflects in part the rescheduling of interest payments by the Paris Club of official creditors, which has yet to grant debt forgiveness except for the poorest countries. It also due to debt reduction agreements between commercial banks and third woreld governments.

The report, which strongly emphasises the importance of economic reform for those countries attempting to emerge from their debt problems, says debt service bills for problem debtors are projected to rise slightly this year and then fall back next.

Ratio of Debt to Exports



Source: World Economic Outlook

Major seeks to build on Lawson debt package

Britain has put forward fresh plans to help the most indebted nations, reports Peter Norman

FOR the second time in three years, Britain has put forward proposals to ease the lot of the world's poorest, heavily indebted nations.

The four-point debt relief plan, announced yesterday by Mr John Major, the Chancellor of the Exchequer, at the Commonwealth Finance Ministers' meeting in Trinidad builds on an earlier package put forward by his predecessor, Mr Nigel Lawson.

It took a good year for Mr Lawson's ideas to gain sufficient international support before they were adopted as the "Toronto Terms" by the Group of Seven leading industrialised countries at their 1988 economic summit.

Mr Major's proposed "Trinidad Terms" amount to a significant enhancing of the Toronto debt package. They are therefore bound to come under critical scrutiny from other western finance ministers during the annual meeting of the International Monetary Fund and World Bank which starts in earnest this weekend.

The British proposals will involve a cost for taxpayers in the developed world and so can be expected to meet opposition in the United States, which is wrestling with huge budget problems. Worries about moral hazard and legal technicalities could make winning German and Japanese support difficult.

But Mr Major is convinced that action is necessary. Despite its containing provisions for debt-reduction and debt service reduction in existing Toronto Terms for rescheduling official, non-aid related debt have not prevented further growth of the debt overhang of the poorest developing nations.

"Most countries have some success to look back on over the past 10 years, whether it be a change in their political system, an improvement in their standard of living of economic structural adjustment," Mr Major said. "But the poorest are falling further behind and are worse off now than then."

He believes that rolled up interest payments and a growing stock of unpayable debt do not help economic reform. Debt makes indebted nations still less willing to accept the strict economic policy conditions that the IMF attaches to its support.

Chancellor John Major: four-point debt relief plan

Mr Major's willingness to embrace the cause of the poor debtor nations also owes something to his early awareness of the problems of the developing world as a young banker in Nigeria.

But another practical reason for his debt proposal is that the Toronto Terms are complicated to operate. They give creditors one or more of three options for rescheduling non-concessional debt.

One goal of the Toronto package was to cut the debt burden of the poorest debtor countries by a third. But the first year of the Toronto Terms' operation, only two creditor countries – France and Japan – opted for this route. The others chose either to grant debt interest relief or long 25 year rescheduling period.

The Chancellor's plan could cut the stock of debt of the 17 African and two South American countries that have won debt re-scheduling on Toronto terms to $9.2bn (£5bn) from $27.5bn at present and confer cash flow benefits of $2.7bn on these nations in its first year of operation.

But while these figures are significant for the countries involved, they are small compared with the scale of the debt problem. According to the IMF, the total external debt of developing countries was $1,235bn at the end of 1989.

The gap between the relief now proposed by Mr Major and the Third World's debt burden reflects the relatively narrow group of countries which the Toronto Terms and Trinidad Terms initiative are meant to address.

The Toronto Debt relief plan was targeted on countries in sub-Saharan African countries which were implementing IMF programmes and which were so poor as to qualify for professional finance from the International Development Association, World Bank's soft loan facility.

That generally meant countries with an annual growth national product per head of less than $580 in 1987.

The results have been assistance for nations ranging in poverty from Mozambique with a GNP per head of $100 to Senegal, which at the end of 1988 had GNP per head of $630. Two South American recipients, Bolivia and Guyana, had GNP per head of $570 and $410 respectively at the end of 1988.

Left out of the Toronto Terms were the middle income debtors and the so-called lower middle income debtors such as Egypt and – before the Gulf crisis – Nigeria.

Mr Major's Trinidad Terms could possibly be extended to countries such as Ghana which have low incomes, are pressing ahead with economic reform and have not benefited from the Toronto scheme. He does not plan to extend the scope of his initiative to other groups of countries.

But that will not prevent bigger debtors hoping for debt relief. Egypt, for example, owes western governments $34.25bn and Nigeria $22.8bn. Granting Trinidad Terms to those two nations would cost the industrial countries around $32bn in debt relief.

ECGD has provided for losses expected under Trinidad Terms

By Peter Montagnon, World Trade Editor

THE EXPORT Credits Guarantee Department has already fully provided for the losses it would incur under the new Trinidad Terms for debt relief if these were extended to countries already benefiting from the existing Toronto arrangements, Mr John Maples, Economic Secretary to the Treasury, said yesterday.

This means it will be spared the embarrassment of declaring a fresh large loss on top of the £441m deficit declared for the year to April 1989.

Its next set of accounts, due to be published later this year, will again show a deficit, however, as a result of a further increase in provisions unrelated to the Chancellor's proposals.

The bulk of the £476m in ECGD-backed debt that would be affected by the proposals is owed by Mozambique, Tanzania, Zaire, Zambia, Bolivia and Guyana, Mr Maples said.

The total assumes, however, that other countries, which are potentially eligible for debt relief as a result of their low living standards and high debt-service ratios, do not join the scheme.

Some of these are large debtors such as Nigeria, to which the ECGD is particularly heavily exposed, and Egypt. However Nigeria's living standards are hovering just above the cut-off point for the scheme and likely to rise as a result of higher oil export earnings.

The provisions created by the ECGD against potential losses on debt to developing countries exist on paper only and are designed to give a more authentic picture of its trading position. In practice the loss would be met through a cancellation of part of the existing ECGD debt to the government, which currently stands at just over £2bn.

The underlying impact on the Public Sector Borrowing Requirement in the first year would be around £70m, the Treasury said.

Capital needs for S&L rescues mount

By Peter Riddell

THE Resolution Trust Corporation, responsible for the rescue of the US savings and loan industry, will need up to $18bn (£9.7bn) of new working capital over the next three months and possibly up to $100bn in total funds in fiscal 1991.

Mr William Seidman, RTC chairman, said it would need $30bn to $40bn of basic bail-out funds to cover the cost of closures and losses on disposals in the 1991 fiscal year as well as $50bn to $60bn for working capital to finance the acquisition and holding of properties before their sale.

This money is raised from the Treasury and adds to overall federal funding needs.

In the current quarter the RTC looks likely to borrow about $52bn, or $8.7bn less than estimated in July. This is because acquirers in a number of transactions have opted for the extended put option under which the entire performing loan portfolio of a saving and loan institution passes to the acquirer, subject to the option of returning some of the assets to the corporation over a period of up to 18 months.

Nevertheless, the RTC will be close to its borrowing limit by the end of this month and "additional loss funds will have to come from the American taxpayer".

The congressional Budget Office has warned that, if the corporation is allowed to run out of money, more than 600 insolvent savings and loans institutions would remain to be tackled, pushing up the ultimate cost of the rescue. The office estimates that, in present value terms, the total cost of closing failed savings and loans will be nearly $250bn up to the year 2000.

● Mr Charles Keating, former head of Lincoln Savings and Loan, which collapsed with a likely cost to taxpayers of more than $2bn, is now in prison in Los Angeles. He cannot put up $5m in bail after being indicted on criminal fraud charges.

Mr Keating and three other executives of American Continental, the parent company of Lincoln, have been charged on 42 counts of selling securities by false statements and omissions, selling securities without qualifications and lying to the California regulator.

The charges arise out of the sale of more than $200m of high-yield junk bonds, described as unsecured debentures, at branches of Lincoln. Many were sold to elderly people who did not appreciate that the securities they acquired did not have the same federal guarantee as savings and loan deposits.

Massachusetts voters turn against Dukakis

By Lionel Barber in Washington

MR John Silber, the caustic, shoot-from-the-lip president of Boston University, has won the Democratic nomination for governor of Massachusetts as voters staged a popular revolt against candidates with ties to Governor Michael Dukakis.

Mr Silber, who was written off a week ago when he called a largely black Boston neighbourhood a "group of drug addicts", will face Mr William Weld, a former federal prosecutor, in the November general election.

The upset victory in Boston came as voters in Oklahoma approved a constitutional amendment limiting state lawmakers to 12 years in office, a notable first.

Together, the results confirm evidence of widespread discontent about government and "professional politicians" as the US economy slides towards a recession and lower- and middle-class voters start to feel the pinch.

In Massachusetts, Mr Silber, 64, a native Texan, beat Mr Francis Bellotti, a former state attorney general considered the early favourite. Mr Weld, 45, also an outsider with little previous political experience, beat Mr Steven Pierce, the House minority leader, for the Republican nomination.

Both men benefited from the public backlash against Mr Dukakis, the 1988 Democratic presidential candidate, and his administration's failure to cope with the economic downturn sweeping New England.

El Salvador peace talks prove fruitless

By Tim Coone in San José

A SERIES of peace talks to end the decade-long civil war in El Salvador has concluded without any significant progress towards a ceasefire, and with no firm date set for further talks.

Six days of negotiations in San José, Costa Rica, between representatives of the right-wing government of President Alfredo Cristiani and the left-wing guerrillas of the Farabundo Marti Front for National Liberation (FMLN) proved fruitless. FMLN delegate Mr Roberto Canas said: "To make progress at the negotiating table, pressure will be needed now at the international level, and on the political and military fronts at home."

Mr Alvaro de Soto, the UN Secretary General's personal representative to the talks, said the two sides' sharply diverging views over the future role and structure of the El Salvadorean armed forces has been the main stumbling block in the series of talks, which began in Geneva last April and have continued at monthly intervals since. A September 15 deadline to sign a ceasefire agreement was agreed on in Geneva, but has now passed with no new deadline having been fixed.

Colonel Mauricio Vargas, the army's representative to the negotiations, acknowledged that there was now a real threat of a guerrilla offensive but said the army was prepared and warned "it will be the responsibility of the FMLN" of what may follow.

Brazil lowers its nuclear sights

Simon Fisher on an atomic arms programme now in full retreat

STANDING AT the edge of a hole bored 320 metres deep into the Brazilian Amazon, President Fernando Collor de Mello cast in a spadeful of lime, a symbolic gesture burying, at least for the time being, the Brazilian military's dreams of developing an atomic bomb.

The holes were dug as part of a secret programme started under military governments in the 1970s.

They brought Brazil within sight of joining the nuclear club. President Collor's gesture is calculated to reassure international critics that Brazil will not use its current nuclear technology for developing nuclear weapons, and that the cloak and dagger days of the military past have been superceded by a new era of atomic perestroika.

But President Collor has yet to pronounce on proposals – on his desk since July – which call for a further stage of expansion in Brazilian nuclear research. Professor Luiz Pinguelli Rosa, a physicist, likens the actual stage of Brazilian nuclear weapons development to a motor-car, where the wheels, chassis, engine and bodywork are all ready, and all that remains is to put the pieces together.

International concern over Brazil's nuclear programme has focused on its refusal to ratify the Nuclear Non-Proliferation Treaty (NNPT), or to open installations to international inspection. Brazil has consistently argued that the NNPT simply guarantees the nuclear monopoly of industrialised countries.

But a deeper worry is the extent to which the Brazilian programme remains under exclusive military control. One of the key figures in Brazilian nuclear research is Brigadier Hugo de Oliveira Piva, a military reservist, whose unofficial activities in Iraq, where he heads a team of 21 specialists working on a secret missile project, are currently embarrassing the government.

The United States has embargoed the sale of a super computer to Brazil's state-owned aircraft manufacturer Embraer, on the grounds that it could be used for missile research.

Washington has also vetoed delivery of missile parts commissioned for Brazil's satellite launch programme.

President Fernando Collor de Mello: a symbolic gesture to bury the Brazilian military's secret nuclear arms programme

Brazil's nuclear research dates back to the 1950's, but serious efforts to develop an independent nuclear capability were launched by Brazilian military scientists in a secret "parallel programme" under the military regimes of the 1970s, a fact only officially acknowledged three years ago.

Present proposals from a working group set up to report to the President on the future of the industry effectively amount to the resurrection of the national programme, after the failure to agreement since 1975 with West Germany to deliver tangible transfer of nuclear energy technology, despite the estimated $7bn price tag.

The plan calls for new investment of almost $2bn to construct six new reactors, all with Brazilian technology and all free of international safeguards. All will be under military control: three for the navy, two for the air force, and one for the army.

It was the navy that pioneered the parallel programme, and its Aramar research centre in Sao Paulo state is already capable of enriching uranium by ultra-centrifuge for reactor use. The expansion proposals would enable Aramar to produce enough 90 per cent-enriched uranium to build a nuclear warhead.

The naval programme has always been justified as an attempt to produce a Brazilian nuclear-powered submarine.

The air force Aerospace Technology Centre (CTA) is developing laser technology for a nuclear-powered satellite, long after other countries have abandoned this technology because of the threat of contamination if satellites fall back to earth.

But the Army Technology Centre has no obvious reason to be building a gas-graphite reactor in Rio de Janeiro state, which will be fuelled by natural uranium and will produce plutonium as a by-product.

The Brazilian constitution mandates that nuclear energy shall only be used for peaceful ends, and places the programme under control of Congress, but legislation has not yet been implemented.

Meanwhile, the working group's plan would allow for three civilians to sit on a commission of seven to oversee projects.

EUROPEAN NEWS

Russian parliament demands Ryzhkov resignation

By Quentin Peel in Moscow

PRESSURE for Mr Nikolai Ryzhkov, the Soviet Prime Minister, to resign was stepped up dramatically yesterday when the Russian parliament – representing more than half the country – demanded formally that he quit.

The overwhelming vote of no confidence from the largest republic amounts to a direct assault on the Prime Minister's attempts to draft an acceptable economic reform programme. The latter now appears to have been overtaken by far more radical plans for a market economy drafted by the economic advisers to President Mikhail Gorbachev and Mr Boris Yeltsin, the Russian president.

However, the vote to remove Mr Ryzhkov, by 154 votes to 4, with 18 abstentions, could yet prove a serious embarrassment to Mr Gorbachev, who has no obvious alternative to run the state bureaucracy.

The Soviet leader has been trying for the past month to persuade his Prime Minister to go along with the more radical reform plans, which would launch a massive privatisation programme, and impose a drastic credit squeeze both on central government and state enterprises.

Mr Ryzhkov has flatly refused to back it, warning that the credit squeeze will cause huge social disruption, while a subsequent price liberalisation will cause rampant inflation. However, his own plans, proposing an immediate controlled price rise for a whole range of basic foodstuffs, followed by gradual liberalisation, has been widely dismissed as inadequate.

Deputies in the Russian parliament yesterday expressed their disgust with the performance of the government. "For five years this government has promised, promised, promised and done nothing," said Mr Alexander Pochinok, from Chelyabinsk in the Urals. "I really fear living here. I fear chaos and disorder."

The Russian Supreme Soviet has no responsibility for the union government headed by Mr Ryzhkov, but the deputies instructed a committee to draft an appeal to the union Supreme Soviet on the subject.

Meanwhile, pressure is building for the formation of some sort of government of national consensus, as advocated by Professor Stanislav Shatalin, the President's close adviser whose group drafted the new economic reform plan.

One group of non-Communist parties yesterday announced plans for such an administration, to be headed by Mr Anatoly Sobchak, the popular mayor of Leningrad, who has left the Communist party, like Mr Yeltsin.

Mr Vladimir Voronin, leader of the Liberal Democrats, said the group proposed a union government with no more than 22 ministers, which would be "a coalition government of national confidence, a government that can take good, law-based decisions."

Till now, however, Mr Gorbachev has rejected any large government reshuffle, partly fearing that he would be the only major figure left at the centre preventing the union disintegrating.

Close advisers suggest that he is now inclined towards the appointment of yet another layer of government, an inter-republican economic co-ordinating committee, which would oversee the whole reform programme from the centre.

Commission aims to crack open market in services

By Lucy Kellaway in Brussels

THE EUROPEAN Commission yesterday announced plans to break open the large and heavily protected market in services in Europe, with a proposal that would prevent all public buyers from favouring national firms in a wide range of services from architecture to accountancy.

The Commission's proposal would cover most services including insurance, transport, accountancy, market research, advertising, rubbish collecting and maintenance work, and would come into effect in March 1992.

At present public bodies spend some Ecu145bn (£102bn) a year – or 3 per cent of Community gross national product – on services, 99 per cent of which goes straight to national companies.

The measure is one of the last important proposals to be put forward under the single market programme, and follows earlier moves to open up public buying in public works and supplies. A directive opening the market in telecoms, water, transport and energy was finally adopted by member states on Monday.

The plan is expected to cause great savings for the public buyers, and help make Europe's service industries more competitive worldwide.

Any public contract worth more than Ecu200,000 (or Ecu5m worth of building in the case of architecture) would be subject to strict buying rules designed to give other EC firms a fair chance.

Buyers would have to advertise the business and be able to show that they had chosen the winning candidate in a non-discriminatory way.

The EC should take rapid administrative steps to save oil rather than rely on higher prices to squeeze demand, Belgium has told its EC partners, writes David Buchan. Mr Willy Claes, the Belgian Economics Minister, said yesterday he was preparing conservation measures such as converting power stations from oil to gas, enforcing and, perhaps lowering, the speed limit, and reducing heating in public buildings.

The EC should meet to consider similar action as soon as possible, he said. But the next meeting of energy ministers is not due until October 29. Mr Claes has so far failed to persuade Italy, which holds the EC presidency, to bring it forward, or the Commission to prepare energy saving measures.

The services directive has been left to last as a result of problems in defining which services are to be included in the rules. However, the Commission has decided to exclude those sectors where there are good reasons for continuing to buy national, or for expecting mobility of the firms to be limited. These include law, hotels and catering services, education and training facilities.

The proposed directive takes a more liberal line towards to third country firms than contained in previous directives on public procurement.

Buyers would have to give bidders from third countries the same chance as EC bidders, unless European bidders were being discriminated against in the third country.

Iron Lady cheers on Hungary's limp market

By Ivo Dawnay in Budapest

MRS Margaret Thatcher took her East European charm offensive to the beating heart of Hungary's capitalist revolution yesterday - the tiny 40 foot by 15 foot trading room of the Budapest stock exchange.

It was only a faintly beating heart. For a few worrying minutes before her arrival, the welcoming party strained for a flicker from the blank digital trading board like a hospital team testing for signs of life.

In front of them, some 30 dealers - a high turn out by normal standards - gossiped around their computer terminals.

Then at 11.20am with a third of the day's one-hour trading time already gone, 50 shares in the Skala department store and trading group, limped onto the board at a formidable Forints 45,000 or about £450 a share.

From such tiny acorns, Hungarian mega-markets must be born, and Mrs Thatcher, when she arrived, was enthusiastic. "Its a good start," she said. Mr Lajos Bokros, the exchange president, and a former Communist now charged with transforming the people's state into a land fit for yuppies, shrugged shyly at the distinctly bearish market.

"Small is beautiful," he said, confirming the prime minister's observation that "at least you are ahead of Moscow." The Hungarian market, relaunched this summer, still has only one fully listed share - the state tourist agency, Ibusz - itself more than 50 per cent in the hands of the state.

Some 60 others are also traded, but now have only until January to publish figures and prospectuses. They will only win their spurs after undergoing auditing by such as Arthur Anderson and Merrill Lynch.

Today, daily trading volumes stand at an average of just $350,000, never topping more than $1m. But the exchange is promising rapid expansion when perhaps half of the 20 state companies, due to be privatised, are obliged to float on the market.

In three years, the government says some 2,000 companies should be privatised and the exchange will move out of its shoe box to new premises. Such progress yesterday received the heartfelt endorsement of Mrs Thatcher who repeatedly congratulated her host, Premier Joszef Antall, for his Thatcherite credentials.

"This government is the only really genuine centre-right government in Eastern Europe so we feel that the policies are likely to go much further and faster in Hungary," she said.

Mr Antall has been rewarded for his philosophical purity with an invitation to the Conservative party conference in Bournemouth next month - an honour not extended to President Vaclav Havel whom Mrs Thatcher visited earlier this week. It is to be hoped that this will come as some consolation to the holders of Skala shares, but it was hardly the stuff to move Budapest's obstinate market.

After several tiny deals, Skala shares remained rigidly valued at Fl 45,000 and not even the encouragement of the Iron Lady herself was going to move it.

A quiet start yesterday for the opening of Moscow's first post-revolutionary commodities exchange.

Teething time for Russian bears and bulls

By Quentin Peel

THE man from the Vneshekonombank summed it up when he described the scene as "half-way between an auction and second-hand shop".

The event was the opening of Moscow's first post-revolutionary commodities exchange, a sort of glorified bazaar for everybody from state enterprises to new-style entrepreneurs to barter their wares for urgently-needed raw materials.

Mr Gennady Poleshuk, co-chairman of the Moscow Commodity Exchange, admitted it was all "rather home-made", down to the trading floor in a pavilion at the ill-named Exhibition of Economic Achievements.

But they still managed to attract offers of the most extraordinary assortment of goods: anything from video-cassettes and plastic components, to computers and building materials - valued at Rbs145m.

"We are sure everything has been sold, in about two hours," Mr Poleshuk said. "But not all the transactions were official."

That is obviously one of the early teething problems in a venture whose promoters - Moscow city council supply department, a collection of construction co-operatives, the association of young managers, and Mr Poleshuk's joint venture - hope will become a critical element in the revived Soviet market economy.

On this occasion, an offer of 300,000 video-tape cassettes valued at Rbs55 each slipped through the net, sold on the side without any commission paid to the exchange.

It was not a commodity exchange as anyone in the West would recognise it. It is the Soviet answer to the shortages which plague the system. Instead of having to find a barter partner with exactly the product you want, the exchange intends to set up multiple trades to simplify the process.

"We would like to operate like the Chicago commodities exchange," Mr Poleshuk said wryly, "but we are starting from the beginning. We are 200 years behind".

So far, only four brokers have paid up Rbs100,000 a piece for a seat at the exchange.

"This is an experience. It is still a home-made thing, but we are hoping to get more serious at future sessions. In future, we will give people an incentive to deal through us, because we will provide an insurance system. If the goods are not delivered, we will deal with it."

As for the actual event, two men stood on a podium and bellowed out what was on offer. About 200 assorted Soviet buyers shouted their bids back without the benefit of microphones, or any other modern technology.

The plan is to specialise the sessions, introducing agricultural products too. From October, the exchange will operate one day a week.

Western companies plan large investments in eastern Europe

By Nicholas Denton in Budapest

LARGE international companies are planning surprisingly heavy investments in eastern Europe, but they are focusing on East Germany and Hungary, according to a survey released yesterday by the accountants DRT International.

The 128 companies involved in the study, all with sales or assets exceeding $1bn, expect to invest more than $3bn in the region over the next five years, much of that in joint ventures.

The result suggests that the 3,000 international groups of similar size will together meet much of the financing requirements of east European industry.

The companies surveyed divided almost equally between those which had quantified commitments, those which intended to invest and those who were disinterested.

However, in contrast to European companies' plans to invest, US and Japanese concerns were less enthusiastic.

Although Japanese companies were on the whole cautious about a move into eastern Europe in the next five years, those few which had concrete plans envisaged very large investments.

The interest in East Germany is expected. The preference for Hungary over neighbours with much larger economies like the Soviet Union, Poland and Czechoslovakia must owe much to the fact that the country has fewer of the obstacles cited by the survey: prohibitive regulations leading the list.

A recent study by the consulting company Central European Investment confirms this picture. Hungary is seen as being the most open to the west and the most advanced in economic reforms. The legislative framework for investment and privatisation is much fuller, and the country has the beginnings of a commercial bank system.

Hungary, moreover, has the largest private sector in eastern Europe, representing 15 per cent of gross domestic product. But, in the longer term, Poland's and Czechoslovakia's "fundamental strengths" could begin to tell. Czechoslovakia's assets are its good infrastructure and skilled workforce, and Poland has a potentially large market and fortunate geographical position between Germany and the Soviet Union.

Ambroise Roux takes final bow

By George Graham in Paris

AN ERA of French capitalism ended yesterday with the retirement of Mr Ambroise Roux from the chairmanship of Générale Occidentale, the publishing and media subsidiary of Compagnie Générale d'Electricité (CGE).

Mr Roux, who headed the entire CGE engineering and telecommunications conglomerate from 1970 to 1982, had built himself a reputation as a supreme string puller, the godfather of French capitalism.

"I don't pull one tenth of the strings that people say I do," he said, but was clearly pleased that people should think he did.

Symbol of everything the French Socialist Party hated, Mr Roux was instantly sacked when CGE was nationalised by the new left-wing government in 1982. He came back into favour in 1986, under the right-wing government of Mr Jacques Chirac, and, after the privatisation of CGE, was able to return to his old fief.

In the 26 years he spent at CGE, Mr Roux constructed an entire system of networks, interlinking the Gaullist political firmament, the upper echelons of the civil service and the top financiers and industrialists.

For years, his Churchillian silhouette (though the cigars are a shade slimmer than Sir Winston's) was one of the most influential figures in the Patronat, the French business confederation.

When the Socialists came to power, however, he created his own organisation, the Association Française des Entreprises Privées, a far more elitist and probably more influential club which excludes both state-owned companies and anyone of whom Mr Roux disapproves, and which refuses to publish its membership list.

But Mr Roux's business style has, like his suits, seemed to many a relic from another age, and his protégés have appeared to feel that he had begun to outstay his welcome. In fact, his departure, officially prompted by CGE's retirement age of 68, is already 15 months overdue.

Polish presidential runners line up as deputies raise starting gun

By Christopher Bobinski in Warsaw

POLAND'S parliament today begins a crucial debate which will decide when the parliamentary and presidential elections should be held.

The debate takes place against intense manoeuvring among the country's main political players: General Wojciech Jaruzelski, President and the former Communist party leader who imposed martial law in 1981, who said earlier this week he was prepared to vacate the post once a successor was elected; and Mr Lech Walesa, the Solidarity leader, who earlier this week announced that he would run for the presidency.

Gen Jaruzelski was elected President in July 1989 for a six-year term under a pact with the then Solidarity opposition. But, yesterday, he formally put forward an amendment which would end his term of office two months after the acceptance by parliament of proposed changes in the constitution. These will provide for a national presidential election.

The Sejm, parliament's 460-strong lower chamber, will debate not only this constitutional change but also a proposed electoral law for parliamentary elections. It will also seek a consensus on shortening its own term which has another three years to run.

Today's debate follows a meeting on Tuesday between Poland's political leaders and Cardinal Jozef Glemp, the Roman Catholic Primate. At the meeting, which was called by the Cardinal, Mr Walesa made abundantly clear that he wanted to see a quick election. "I had the impression that he wasn't too interested in the problems involved with agreeing electoral laws or indeed the time needed for a smooth transition," noted one participant.

Mr Tadeusz Mazowiecki, the Prime Minister, and a possible contender for president, continues to waver about whether to stand. He limited his remarks at Tuesday's meeting to declaring that the Government would not hold up political changes.

Mr Bronislaw Geremek, the leader of the OKP, Solidarity's 155-member group in the Sejm, suggested that a presidential election could be held in November while parliamentary elections would come in the early spring.

Many deputies, some from the former Communist party and its allies, would like the elections held as late as possible, while the Government is appealing for parliament to approve urgently needed legislation involving the economy. Mr Leszek Balcerowicz, the Deputy Premier, told Tuesday's meeting that, apart from next year's budget, some 40 draft laws were in the pipeline and had to be approved if Poland's drive to a free market were not to be seriously delayed.

This legislative work would last until the spring. It is commonly assumed that the new parliament would take some months finding its feet before it could engage in legislative activities.

Waste disposal controls proposed by Commission

By Tim Dickson in Brussels

NEW MEASURES to control international shipments of waste, including provision for local authorities to object to specific consignments being dumped on their "territory", were yesterday formally tabled by the European Commission.

The proposed regulation is in line with principles already spelt out in Brussels and is designed to avoid the EC's single market becoming what Mr Carlo Ripa di Meana, the environment commissioner, described as "a tourist visa" for unwanted waste.

The latest proposal, which covers all forms of waste, from relatively harmless household rubbish to more dangerous chemicals and metals, is intended to promote the idea, that waste should be disposed of as near as possible to the source of production.

It also envisages that exports of waste to the 66 African, Caribbean and Pacific countries, with which the EC has a development aid agreement, should be prohibited.

Most controversial in the Brussels approach is the idea that movements of waste within the existing national borders of a member state will have to be notified. It is understood that individual countries will have discretion to nominate specific "competent authorities" and that the provisions of the directive will then apply to them.

"There may be quite a lot of scope for 'not in my backyard', or so called Nimby, attitudes surfacing as a result of this," one EC diplomat said yesterday.

In principle, notification will be the responsibility of the initial producer of the waste, while specific entry and exit routes are envisaged for waste coming into and leaving the Community.

Support for second Greek general strike falls off

By Kerin Hope in Athens

A 48-HOUR general strike by Greek workers yesterday shut down schools, public transport and some government offices but was much less well supported than last week's 24-hour walk-out.

The strike was called by the General Confederation of Greek Labour in protest against the conservative Government's decision to reform the heavily indebted state pension system. However, members of conservative-controlled unions stayed on the job in response to government efforts to modify the measures in favour of lower-paid workers.

A bill presented to parliament earlier this week would raise the retirement age for women to 58 and for men to 60 from the end of 1997 (women at present can retire as early as 35 and men at 45), and merge dozens of separate pension funds under the umbrella of IKA, the biggest state welfare organisation, whose debts this year are expected to total Dr365bn (£1.28bn).

Fierce opposition to the bill has come from the powerful bank workers' union, which has been on strike for 10 days. Central bank employees have joined the walk-out, paralysing commercial activity and halting foreign exchange dealing.

The Public Power Corporation union, also on strike since last week, has rejected appeals to return to work.

US military build-up in Gulf presages big cuts in Europe

Its foreign bases have become too costly just as their strategic value has become all too apparent, writes David White

IN THE middle of a massive military transport operation in which the US has relied heavily on foreign bases to airlift forces to the Gulf, it might seem a strange moment for the Pentagon to announce a long list of overseas facilities it wants to close.

The Gulf build-up itself has added to the pressure to trim spending in other areas of defence and to take advantage of the easing of military tension in Europe, where most US forces are stationed.

The list is impressive by its numbers – 151 sites worldwide at which US operations are to be stopped or reduced – but the move is little more than a tidying-up operation in readiness for bigger cuts to come.

Of the 128 installations set for closure, 115 are in Europe and 95 of those in West Germany. The biggest are three air bases: at Torrejón de Ardoz, near Madrid; Lindsey Air Base near Frankfurt; and Hessisch Oldendorf in northern Germany. Many of the others are relatively minor: an officer's club, an athletic field, a recreation annex, radio relay sites, storage depots, some family housing and several training areas and barracks.

The cuts are much more wide-ranging than the last package announced in January, which involved seven European closures. But they are merely the overture to what will happen when the US seriously sets about scaling down its 337,000 army, navy and air force personnel in Europe.

In February, the US agreed in principle to reduce its ground and air personnel from 305,000 to 225,000, including 195,000 in the central region, where the Soviet Union would be able to maintain a similar number. Since then, however, the Soviet Union has had to accede to wholesale withdrawals from eastern Europe, and pressure from the US Congress to set lower US numbers has grown.

Last week, Mr James Baker, the Secretary of State, said the February proposals, due to be part of the Conventional Armed Forces in Europe (CFE) treaty being negotiated in Vienna, had been "overtaken by events."

In what US officials describe as a "trial balloon," the Soviets have suggested that US should reduce its forces to between 70,000 and 80,000. Senator Sam Nunn, chairman of the Senate Armed Services Committee, has proposed that the US should start planning for a residual force of between 75,000 and 100,000 within five years.

A figure of this order, taken together with smaller German forces, French withdrawals from Germany and planned reductions in the British Army of the Rhine, might possibly allow for an agreement on overall troop levels in the central region. When the Soviets proposed a ceiling of 700,000-750,000 on each side of the Nato-Warsaw Pact divide earlier this year, Nato rejected it. But figures now being discussed might fit within such a ceiling.

General John Galvin, Nato's supreme commander in Europe, argued in a recent interview that the US should keep more than a "trip-wire" force, including at least one army corps with fighter and other air support, as well as the Sixth Fleet in the Mediterranean.

One part of the February agreement that US officials would like to see quietly dropped is the extra 30,000 figure for US troops in European countries outside the central region. That would in fact be a more drastic cut in those countries than US commanders want. Air and ground forces in the UK, Italy, Spain, Greece and Turkey currently amount to about 48,000.

The Gulf crisis has shown just how important some of these base facilities can be, with F–111 long-range bombers flying out of British bases and using facilities in Turkey, and other airfields serving as key staging posts for heavy transport aircraft.

The Pentagon is still battling with Congress for funds for a new air base at Crotone in southern Italy to accommodate the 401st Tactical Wing of F–16 fighters. Under a 1988 agreement with Spain, the US Air Force next year has to remove these multi-role aircraft, which are capable of delivering nuclear weapons, from Torrejón.

General Galvin said that anyone who would fail to see "the enormous strategic advantage of having 72 front-line aircraft stuck right in the middle of the Mediterranean" would simply not understand strategy. Bases in the Mediterranean region have provided the US with one of its "key advantages" in responding to the Gulf crisis so far.

The US argued hard and long with the Spanish to try to keep fighters at Torrejón. It is a sign of the changing times that it is now proposing, for its own budgetary reasons, to close down operations there altogether.

A SQUADRON of 24 US Air Force F-16 fighters has been discreetly moved from the Spanish base of Torrejón de Ardoz to Saudi Arabia, according to a US military official. The move has not been publicised in Spain owing to the high level of political sensitivity about the US military presence and the use of Spanish bases for possible offensive operations.

The Spanish Government's agreement to allow the jointly-run bases to be used by US transport aircraft on their way to the Gulf was already seen as an important concession, indicating Madrid's support for the US-led military effort.

The Torrejón base, just outside Madrid, has long been a focus for anti-American protests. The three F-16 squadrons, which are capable of delivering nuclear weapons, are due to be moved from the base next year.

Bonn delays amnesty for E German spies

West Germany yesterday delayed a limited amnesty for former East German spies until after unification on October 3, raising the prospect that as many as 8,000 "moles" will be arrested in the next few months, Reuter reports from Bonn. Spokesmen for Chancellor Helmut Kohl's Christian Democrats and their Bavarian sister party said it was not technically possible to pass the controversial draft in time.

They said that a law settling the spy issue, a Cold War legacy, would take effect before all-German elections on December 2. Mr Wolfgang Schäuble, the Interior Minister, said he hoped police would stop hunting former East German spies guilty of lesser offences pending adoption of the amnesty law.

INTERNATIONAL NEWS

Cambodia talks collapse over chairmanship issue

By Roger Matthews in Bangkok

TALKS between Cambodia's *four warring factions*, meeting together for the first time as the Supreme National Council, broke up in disarray yesterday.

Failure to reach agreement on even the first item on the agenda underlines the patience and determination which the five permanent members of the United Nations Security Council will need if they are to push ahead with the five-point peace plan for the country agreed late last month.

Thai officials who had been shuttling among the four delegations throughout Tuesday and yesterday in an attempt to find common ground on the first main stumbling block – chairmanship of the SNC – last night voiced their frustration at the inability of the two main groups to compromise.

Argument centres on whether Prince Norodom Sihanouk, former head of state and leader of one of the *three guerrilla factions fighting* the Vietnamese-installed government in Phnom Penh, should be invited to be SNC chairman and, if so, whether he should become the 13th member of the council or replace one of the two delegates to which his faction is *entitled*.

Under an agreement reached in Jakarta last week the Phnom Penh regime was awarded six seats on the SNC and the three resistance groups two seats each.

Hun Sen, Cambodia's Prime Minister, insisted that if Prince Sihanouk was to join the council as a 13th member the Phnom Penh government should also get an extra seat, bringing the total to 14.

He denies, however, he has insisted on being vice chairman of the SNC or of demanding to head the joint Cambodian delegation which would occupy the country's disputed seat at the UN.

The three resistance factions yesterday accused Hun Sen of betraying the spirit of the UN and Jakarta agreements, which had anticipated the appointment of Prince Sihanouk as chairman, provided the 12 delegates agreed.

Khieu Samphan, leader of *the Khmer Rouge*, which has been making military gains throughout the year, sought to portray his faction as the model of reason. He stressed that Prince Sihanouk should be appointed chairman, that the Khmer Rouge fully accepted all aspects of the UN peace plan and that it was vital to have a UN presence in Cambodia as soon as possible.

Prince Sihanouk, who said he was too unwell to attend the Jakarta meeting – a diplomatic illness, according to Hun Sen – also failed to turn up in Bangkok this week. Prince Norodom Ranariddh, his son and chief representative, left the meeting early to accompany his own son to university in France, to the dismay of Thailand's intermediaries.

The unwillingness of Hun Sen to compromise on the chairmanship issue intensified speculation yesterday that his room for manoeuvre may be limited by hardline colleagues at home. If so, more direct Vietnamese intervention may be needed if the apparent improvement in relations with China, which backs the Khmer Rouge, is to develop further.

Khieu Samphan, as a parting shot, accused the Vietnamese of another sort of intervention. He claimed senior Vietnamese military commanders had recently been spotted in Cambodia helping plan a new offensive by the Phnom Penh regime.

Vietnamese general in vanguard of China thaw

GENERAL Vo Nguyen Giap (right), the Vietnamese Deputy Prime Minister, arrived in China yesterday for Hanoi's highest-level official visit since the two countries fought a brief border war in 1979, Reuter reports from Peking.

Gen Giap, a war hero in Vietnam who masterminded his country's defeat of both French and US forces, said the time had come for normalisation of diplomatic relations with China after 11 years of enmity. China and Vietnam back opposing sides in a civil war which has raged in Cambodia since Vietnam invaded in 1979.

"I am delighted the Chinese Communist Party has brought about the conditions for me to come here and I think friendly relations between Vietnam and China will develop," Gen Giap said.

He was met by Qi Huaiyuan, Chinese Deputy Foreign Minister.

Gen Giap is due to attend the opening ceremony of the Asian Games on Saturday.

Western diplomats said China was keen to improve its relations with Vietnam as both were among the few remaining hardline communist states.

Taiwan opening up stock market to foreign institutions

By Peter Wickenden in Taipei

MR Wang Chien Hsien, Taiwan's new Finance Minister, is pushing for a staged but rapid opening of the island's hard-hit stock market to direct foreign institutional investment. He expects the process to be under way within three months.

His comments in an interview yesterday follow a tentative plan which emerged last week, under which perhaps 40 qualified foreign banks, insurance companies and fund managers would be allowed to invest up to a total of US$2.5bn (£1.4bn) in the market.

They would be allocated between $5m and $50m each to invest directly. Foreigners are now allowed only to invest indirectly via four mutual funds traded offshore.

The announcement was hailed by foreign brokers, but is also seen as a last resort measure to stabilise and revive the market. This had risen by more than 330 per cent since 1987, before plunging by 70 per cent from its peak in February of 12,600 points on the stock exchange's weighted index to close at 3,159.37 yesterday.

The economy has been seriously affected this year, as free spending of windfall profits by Taiwan's 4m individual investors – a fifth of the population – rapidly dried up.

Asked why the decision to open the market had been made so hastily after years of refusal to publish a timetable, Mr Wang said: "It's not an emergency, but you have to go quickly. We have to push our progress.

"I pushed the Cabinet very hard to adopt this measure because I really believe it is good for the stock market."

Foreign brokers are unhappy with an initial plan to restrict foreign institutions' quotas being remitted out of Taiwan within the first year. Mr Wang said that, since Taiwan had no experience in this, public opinion would be sought before the plan was finalised and that the announced maximum of US$2.5bn for foreign investment could also be discussed.

Initially, he explained, several dozen institutions that met strict criteria would be allowed to invest more funds. Later, the criteria would be loosened to allow more investors in and the size of the quotas would be raised.

He voiced fears about the possibility of "hot money" flowing into a market that he described as small and full of speculation, and given to doing things that mature markets did not do.

Other "stabilising measures" already passed or being considered by the Cabinet are:

● Allowing workers' pension funds to invest up to 20 per cent of their assets in stocks, which might pump NT$40bn (£770m) into the market.

● Ending the monopoly of the ruling Nationalist KMT Party's Fu Hwa Securities on margin loans. Twenty-seven of Taiwan's 350 brokers have the two years' experience and NT$2bn capitalisation that will be required.

● Allowing more than the current four companies to establish domestic mutual funds.

Many analysts believe a speculative spirit is part of the Chinese culture, and that the Taiwan stock market will always be volatile.

Mr Wang said he thought volatility could be reduced, but not overnight. He was confident the stock market would become more stable and more modern, with "less short-term speculation and more long-term investment".

There are no plans, however, to widen the current 7 per cent limit on daily price movements in either direction which greatly reduces risks involved in speculating.

Korea's great leap forward into petrochemicals

A headlong race in Asia to install new capacity could herald a fierce price war, writes John Ridding

ON THE west coast of South Korea, on land reclaimed from the Yellow Sea, a bizarre contest is under way. Trucks, bulldozers and other heavy machinery belonging to Samsung and Hyundai, the country's two largest business groups, are locked in a race to complete the construction of their rival petrochemical complexes. After just eight months' work, the once-peaceful coastline has given way to a wide expanse of plant and steel structures.

The new chemicals projects in Korea are just one aspect of the rash of expansion taking place in the petrochemicals industry in the Far East at a time when the prices of key raw materials – crude oil and natural gas – are racing ahead in response to the Gulf crisis. But that has not deterred Taiwan, Thailand, Singapore, Malaysia, Indonesia and other *countries in the region* that are spending vast sums on new complexes to make basic chemicals that will feed fast growing consumer-related industries such as cars, construction and domestic appliances.

In Korea Samsung and Hyundai are not alone. The government's decision to liberalise investment in the petrochemical industry, taken in 1988 and effective from January 1 this year, prompted a flood of new projects in the *sector*.

Four more naphtha crackers – which convert feedstocks such as naphtha and natural gas into propylene and ethylene, the basic building blocks of the petrochemicals industry – are to be built by 1993, as are a series of downstream facilities. Currently, Korea has just two naphtha cracking complexes.

The string of new projects, with a combined cost of over $6bn, is typical of the bold large-scale investments which have propelled South Korea from developing to newly industrialised status in two short decades and will lift the country into the top ranks of petrochemical producers. But they also threaten to create massive oversupply of petrochemical products and trigger a costly cut-throat battle for survival, not just in Korea, but the whole region.

According to some projections, 40 per cent of the world's likely growth in chemicals to the mid-1990s will come from the Pacific Rim nations. But in none of these countries does the expansion equal that planned in Korea.

From the middle of next year, the complexes being built by Hyundai and Samsung will each start delivering their *annual capacity of 350,000 tons* of ethylene and more than 100,000 tons of propylene. At about the same time, Lucky Goldstar, Korea's third-largest conglomerate, will complete a new petrochemicals complex in Yochon on the south coast. Honam Petrochemical, Korea Petrochemical Industry Corporation and Hanyang Chemical will follow shortly afterwards.

By 1993 Korean production of ethylene will rise almost threefold from the current level of 1.12m tons. By then, however, the Korea Petrochemicals Industry Association forecasts that demand will have only risen to 2.08m tons.

The prospect of such overcapacity has sparked controversy and sharp criticism. Mr Kim Kwang Mo, president of Technoservice, an industry consultancy group, and one of the architects of Korea's Chemical Industry Development Plan during the 1970s, argues that "most close observers who understand this industry express a deep concern about the greedy and indiscreet actions by the conglomerates." He adds that some of the projects should be cancelled or postponed.

But critics of Korea's petrochemical expansion are not *concerned merely with the* prospect of overcapacity.

"This is not an industry where Korea has a competitive advantage," says a manager at a European chemicals company which has an operation in Seoul. The most obvious disadvantage is the lack of raw materials. The crude oil or natural gas which are needed as feedstock for the naphtha crackers will have to be imported, leaving the industry vulnerable to international prices and suppliers. Such concerns have heightened since the onset of the Gulf crisis and the consequent sharp increases in naphtha prices.

Some of these problems are accepted by the industry's new entrants. "It is a concern that we have to rely on imports of raw materials," says Mr H.K. Bae, manager in the corporate planning department of Samsung Group. He also accepts that with the number of new entrants and the pre-Gulf crisis decline in petrochemical prices, the industry is less attractive than when Samsung started studying it in 1986.

But Mr Bae and his counterparts at the other prospective petrochemicals companies remain confident about their ability to prosper in the industry. Their answer to the *prospect of overcapacity lies in the* export market. Both Samsung and Hyundai say they will export 50 per cent of their petrochemical products.

But exporting on the scale required will not be easy. On the one hand, international competitiveness requires running the plants at near full capacity so as to achieve economies of scale. But this exacerbates the problem of oversupply.

At the same time, many of the potential importers in the region are themselves proceeding with plans to develop their own petrochemical complexes. Taiwan, Malaysia and Indonesia are all scheduled to start building new facilities which will supply most, if not all, of domestic requirements. China – potentially the region's biggest market – has sharply reduced its imports as a result of hard currency shortages and its economic austerity drive.

Despite these obstacles, the Korean companies believe that south-east Asian markets in particular represent an adequate short-term solution. "The projects they are considering will not be completed until the middle of the decade and by then the Korean domestic market will have expanded *significantly*," *says a spokesman* for one Korean producer.

According to Mr Park C Byung, vice-president of Hyundai Petrochemicals, Korean companies enjoy several important advantages in the regional market. He argues that Korea is close to its potential markets and that the industry enjoys competitive advantages arising from the low cost of constructing their complexes and the installation of the latest technology.

The new producers are also optimistic about domestic prospects. Hyundai and Samsung argue that between 10 and 20 per cent of production will be absorbed through captive use by group subsidiaries such as Samsung Electronics and Hyundai Motors, and by group suppliers.

Mr Park C. Byung, argues further that the increase in capacity will itself raise the level of domestic demand. He draws a parallel with Korea's first move into the petrochemical industry in the 1970s, when demand far outstripped the levels which had been forecast. His view is that "when you have your own production facilities you can encourage other industries like plastics, electronics parts and automobile components."

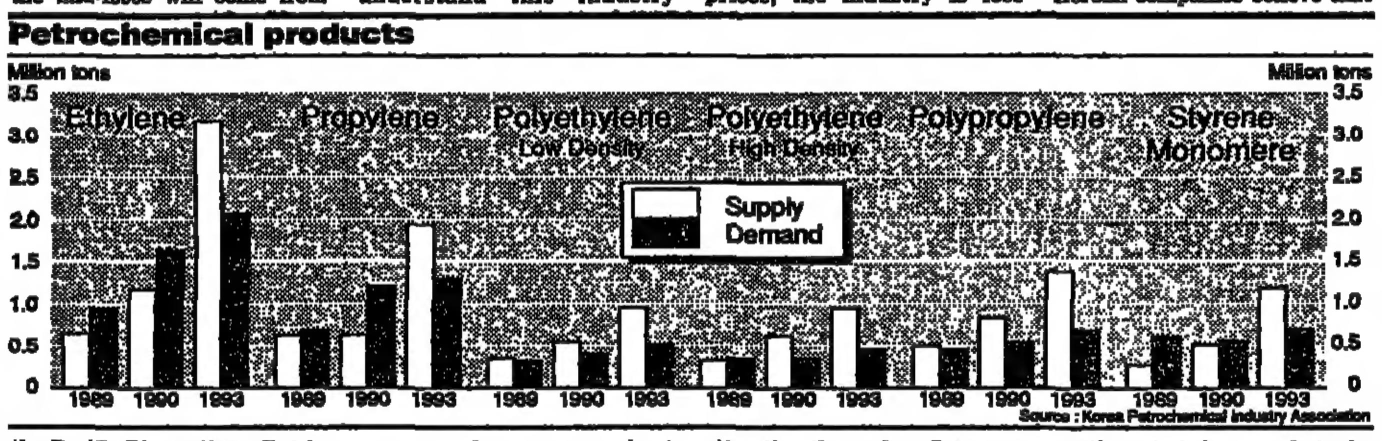
Despite such arguments there is likely to be a period of severe competition once the new plants come onstream. "There is certainly room for new capacity," argues one analyst at a European securities company, "but what makes sense for two or three companies doesn't necessarily make sense for six. We will probably see a price war and maybe substantial initial losses. Samsung and Hyundai are big enough to take these in their stride, but their competitors may find it more difficult."

Industry officials who once controlled development of the industry also express concerns. "*We didn't expect the scale of* expansion we are currently experiencing," says one official at the ministry of trade and industry. "But it is up to the companies. Now we are just on the sidelines watching."

With the newcomers to the industry talking of a painful four or five years ahead, and others predicting a bloody price war, the viewing may be uncomfortable.

This is the first in a series of articles on the surge in investment in the Asian petrochemicals industry.

Petrochemical products



Source: Korea Petrochemical Industry Association

NZ premier reins in pay rise for MPs

By Dai Hayward in Wellington

MR Mike Moore, New Zealand's Prime Minister, is preparing legislation to stop MPs getting bigger pay increases than most of the country's workforce.

The Higher Salaries Commission, which sets annual salary increases for MPs, the judiciary and senior civil servants, will announce new rates before the end of this year.

Although the government *cannot order the commission* to restrict increases, it can legislate to limit MPs' salaries.

Mr David Lange, a former Labour Prime Minister, did this in 1987 when a 30 per cent pay rise was announced.

MPs could have expected a salary increase in double figures but, following an agreement with the Council of Trade Unions to limit wage demands this year to 2 per cent, Mr Moore said MPs would not be allowed to accept anything higher.

Keating in fresh clash with banks

By Our Foreign Staff

MR Paul Keating, Australia's federal Treasurer (finance minister), yesterday clashed again with the country's private sector banking industry, which he has accused in recent weeks of hampering the economy with unnecessarily high lending rates.

In answer to a parliamentary question, he called into question the prudence of past loan policies operated by Mr Nobby Clark, managing director of National Australia Bank (NAB).

Mr Clark had been quoted as saying that if his own "strike rate" on economic policy had been similar to Mr Keating's, he would have stopped being a banker and would instead be selling pencils and shoelaces on the street.

Mr Keating claimed Mr Clark would indeed have been out of a job – were it not for a government rescue four years ago of NAB's savings bank offshoot.

Mr Clark "*went ambitiously* lending for housing at fixed rates of 13.5 per cent, and then found in tighter monetary conditions in 1985 and 1986 that he couldn't fund deposits that kept those mortgages in place," Mr Keating maintained.

"And, was it not for cross-subsidies from the trading bank and subsidies from the government, Nobby's board would certainly have had Nobby selling shoelaces and pencils in Collins Street" in Melbourne's financial district, the Treasurer added.

NAB's financial position was again helped last year, Mr Keating said, when the government relaxed requirements that commercial banks deposit certain amounts with the central bank at low interest.

"So if I was Nobby, I would keep the pencils and shoelaces line very private in future."

NAB made no immediate reply to the comments. It was unclear *last* night what the precise financial state of its savings bank offshoot was in 1986, although at the time the bank complained that the unit was hindered by having to fund a government portfolio of housing loans at maximum rates of interest.

Also yesterday, Mr Keating described recent comments by Mr Brian Loton, chief executive of Broken Hill Proprietary, the mining, steel and energy group which is Australia's biggest company, as "too pessimistic".

Mr Loton had suggested the economy had declined seriously and would weaken further.

However, Mr Keating acknowledged that it was not yet possible to judge whether the economy had stopped slowing.

Floods trigger reshuffle in South Korea

SOUTH KOREAN President Roh Tae-woo fired two Cabinet ministers yesterday in an attempt to pacify criticism of his administration following *last week's devastating floods*, Agencies report.

He replaced Mr Kwon Young-gack, Construction Minister, with Mr Lee Sang-hee, a technocrat and expert in irrigation works. Mr Cho Kyunb-shik, Environment Minister, was made Minister for Agriculture, Forestry and Fisheries, succeeding Mr Kang Bo-seong.

Mr Cho's post went to Mr Huh Nam-hoon, a former vice minister for trade and industry.

Many in flooded areas have denounced the government's anti-flood measures. Mr Roh also fired the governor of north Chungchong province, whom flood victims had claimed ordered dam officials to hold back water in order to allow a sports meeting to be held. This in turn triggered extensive damage to farms and houses.

● North Korea has openly criticised the Soviet Union, warning it against establishing diplomatic relations with South Korea.

The government newspaper Minju Choson published excerpts from a North Korean memorandum to the Soviet Union telling it that a bilateral alliance treaty "will automatically be reduced to a mere name" if Moscow-Seoul links were set up

US agrees to broaden agenda as talks with Philippines open

By Greg Hutchinson in Manila

THE US would be content with access to Philippine military facilities after a gradual pull-*out of its permanent presence* from the country, US officials said yesterday after the first full day of discussions in the newly titled Philippine-American Co-operation Talks (PACT).

The US position was announced by Mr Stanley Schrager, spokesman for the US panel to the negotiations. By mutual agreement at the start of the session, the negotiations were broadened from a discussion of security matters to include an array of issues arising between the two countries, notably matters of trade, investment and debt management.

The Philippine panel called for a debt write-off with the US. Mr Rafael Alunan, spokesman for the panel, said the Government wanted "more flexibility in debt buy-back schemes and more efforts for debt relief from official creditors, including debt condona*tion, similar to that which may* be granted to Egypt."

The US Administration has offered to condone some $8bn (£4.30bn) of military debt owed by Egypt in appreciation for Cairo's backing of Washington's Desert Shield mobilisation against Iraq.

On trade, the Philippine panel seeks concessions such as those offered China and countries of the Caribbean. "In view of the long relationship *between our two countries, it* would only be just that we receive the same treatment," Mr Alunan said.

At a briefing following the talks, Mr Schrager said it was expected that the two sides this week would formulate a timetable for what the US is calling a "phase-down" of its military presence in the country.

Manila is seeking debt condonation and concessions on trade in the negotiations

This second round of talks – the first were in May – is expected to end by the weekend. Other rounds will probably take the negotiations into early next year, now that the *scope of the talks is wider than* the question of the bases.

The facilities are Clark Air Base, Subic Naval Station and four smaller installations, which employ tens of thousands of Americans and Filipinos and generate more than $1bn for the local economy a year.

A lease over the properties north of Manila expires in just under a year. The US facilities cannot remain unless a new *treaty is agreed, a doubtful* prospect while most of the country's senators, who must sanction such a treaty, oppose the continued US military presence.

The US suggestion that it eventually be granted "access" to the bases the Americans now occupy is probably a way to circumvent such strictures of the Philippine constitution. It would also be consistent with the Pentagon's plans to reduce US forces overseas.

However, in Asia, where the thaw of the cold war has been slower, the US is positioning itself for a "phase-down" in the Philippines that may still see its forces still based there at the turn of the century. Such a position is unacceptable to the Philippines, according to official statements.

The country is entering into tentative ceasefire arrangements with communist rebels, who have waged a violent cam*paign to have the US bases* removed. Any backtracking by the Government, which advocates an "orderly" withdrawal of US forces, would jeopardise the peace effort – the first serious attempt to end one of Asia's most serious insurgencies since President Corazon Aquino's short-lived truce with the rebels in December 1986.

Japan reviews system of land taxation

JAPAN is considering revising its land tax system in an attempt to stem speculation and soaring property prices, according to a Finance Minis*try official*, **Reuter reports from Tokyo.**

The government was examining several possibilities, including a new land holding tax on corporate and individual land owners, the official said.

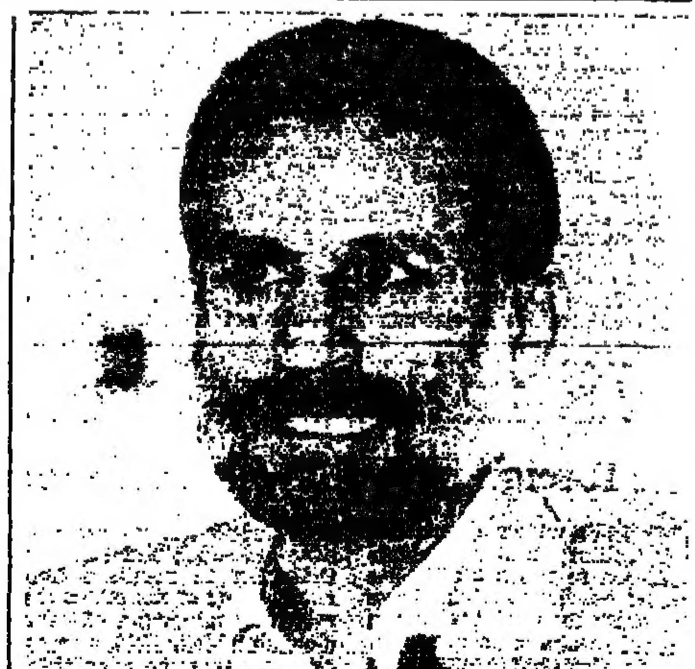
The tax would make land speculation more costly. Fears that revised taxes would lower property values have helped depress Tokyo stock prices this week.

Details have yet to be worked out, but some small plots and residential land would be exempt from the new tax, depending on the size and market value of the property or a combination of those factors.

The government is also considering possible reform of the present land holding taxes, including the fixed-asset tax and the special holding tax.

The official said a revision of the fixed-asset tax – based on *a property's value as assessed* by local tax authorities – would probably include appraising property values at higher rates to make holding land more costly.

Another option would be to toughen the criteria for the classification of under-used land by revising the special land holding tax on idle land.



MR Hussein Mousawi (above), a leader of the pro-Iranian Hizbollah militia based east of Beirut, said yesterday negotiations were going on between Britain and a party representing the kidnappers of the three British hostages held in Lebanon, reiterating comments earlier this week that all of them might be freed soon. He would not say if this meant "in September or after September".

WORLD TRADE NEWS

Commission still to endorse 30% farm subsidy cut

By Tim Dickson in Brussels

THE EUROPEAN Commission last night appeared poised to endorse a new paper proposing a global 30 per cent cut in farm subsidies over 10 years.

The EC offer - its negotiating position for the final stages of the international trade talks known as the Uruguay Round - was first indicated informally by Mr Raymond MacSharry, EC Agriculture Commissioner, in Ireland last month, but was being formally considered by his colleagues in Brussels yesterday.

Speculation last night that a cancelled press conference reflected further internal divisions within the EC seemed wide of the mark but added to the impression that presentation in the current Uruguay Round has not been the EC's strongest suit.

Discussion of the item was apparently delayed to accommodate the return from Rome of Mr Frans Andriessen, EC External Relations Commissioner with overall brief for the trade talks.

Mrs Carla Hills, US Trade Representative, was busy in Brussels yesterday putting Washington's case, to members of the European Parliament sitting in the External Economic Relations Committee.

Mrs Hills, who has indicated US willingness to cut subsidies by at least 70 per cent over the next 10 years, repeated her insistence that "agriculture is the key stumbling block to a successful (Uruguay) Round.

"How tragic it would be if the reform Governments of Eastern Europe, striving to replace their command economies...cannot deliver on their economic promises because of trade restrictions erected by the world's trading nations."

Apparently reluctant to discuss details of an earlier meeting with Mr MacSharry, she said she did not know the details of the EC proposal. But she claimed at her press briefing that if the EC is suggesting a 30 per cent cut over 10 years starting in 1986, the "effect" would be confined to a 10 per cent cut in future.

"We would be prepared to go by as much as a 70 per cent reduction in the area of internal supports and in the area of market access," she said. "We would go even further in the area of export subsidies." It was impossible to exaggerate how important a solution to the farm problem would be for the round as a whole.

Most nations in the talks were farm exporters. Agriculture was their top, sometimes only, priority. If their concerns were not dealt with, some 50-60 countries may walk out.

Three more states for Gatt

BOLIVIA, Tunisia and Venezuela have completed the process for joining Gatt, bringing to 99 the number of member states in the world trade organisation, William Dullforce reports from Geneva.

Costa Rica is about to ratify its terms of accession and is expected to become Gatt's 100th contracting party in a few weeks.

Terms to which the new members have agreed illustrate a remark by Mr Arthur Dunkel, Gatt's director-general, that the liberalisation "price" of membership has been rising.

Bolivia undertook to bind its whole import tariff schedule at a 40 per cent ceiling. To bind means to guarantee that the level will not be increased again. Tunisia agreed to bind more than 900 tariffs at levels of 17 to 52 per cent. It also undertook to abolish import licences or other quantitative curbs on many products.

Venezuela had cut its tariffs from 135 to 50 per cent at present. It has pledged to bind its entire tariff schedule at a 50 per cent ceiling, lowering it later to 40 per cent.

Eight more countries are negotiating terms for joining: Algeria, Bulgaria, China, El Salvador, Guatemala, Honduras, Nepal and Paraguay. Poland is re-negotiating its membership terms which did not guarantee it most-favoured-nation treatment.

UK 'wants share in Indonesia N-project'

BRITAIN wants to share in a project that will bring nuclear energy to Indonesia, Mr John Wakeham, UK Energy Secretary, said yesterday, AP reports from Jakarta.

Mr Wakeham, who arrived on Tuesday for a three-day visit, said he met Ginanjar Kartasasmita, mines and energy minister, and President Suharto, and discussed the possibility of expanding energy co-operation between the two countries.

Ginanjar said Indonesia has established co-operative links with West Germany, France and the US to develop nuclear power plants.

Indonesia had sent technicians to the US to study nuclear technology, he added.

Indonesia's first nuclear power plant, to be built near Mount Muria in the northern coastal area of Central Java, is expected to become operational in the year 2000.

A feasibility study for the plant is expected to be completed in 1994 and building will take another six years, officials say.

S Korea group in Moscow deal

Lucky-Goldstar Group, a South Korean conglomerate, has signed a note of intent with the city of Moscow to help build a \$300m (£162m) hotel-apartment complex, AP-DJ reports from Seoul.

Lucky-Goldstar and the government's Korea Trade Promotion Association (Kotra) expect to enter a 50-50 joint venture with Moscow to erect a five-building complex near the Kremlin.

Construction is to start in 1991 at the earliest and will take six years.

Japan metal offer

Japan, in a last-ditch bid to settle its dispute with the US over amorphous metal trade, has widened its offer of market access, a Ministry for International Trade and Industry official said, agencies report from Tokyo.

Negotiations had nearly broken down when Japan made its new proposal, an official said.

'New world order' dilemma for US export controls

By Nancy Dunne in Washington

THE FUTURE of US export controls on products with military application is another uncertainty in the current state of near-friendship with the Soviet Union and near-war with Iraq.

The Export Administration Act (EAA), the law governing export licensing on strategically sensitive products, is due for either reauthorisation or redesign by September 30.

The Senate last week joined the House in passing an updated version of the law, but events having been moving with such speed that final passage this year is by no means a certainty.

Both bills contain significant "new thinking" with an easing of controls to Communist and former Communist countries.

But Congress, with the background of "dual-use" exports to Iraq much in mind, is still far from a consensus on how to adapt the regime to a shifting "new world order" in a way which sensibly balances the demands of business and national security.

Major sticking points must be resolved before Congress adjourns next month. Will the role of the Pentagon in the licensing process shrink, as business would like, or expand?

Will the State Department maintain its current far-ranging authority over munitions controls and multilateral negotiations? Will Congress limit the discretion of the president on controls of chemical and missile exports? Will the new EAA be in effect for one year or two?

Both bills reflect attempts by Congress to keep pace with the the flood of changes in the world. Although the House in June eased controls to the Soviet Union and Eastern Europe far more than the Administration wants, it also reacted to the then on-going Soviet-Lithuania dispute.

One amendment denied the Soviet Union access to American high technology unless it entered into "serious negotiation" with Lithuania "without economic coercion".

The House debate was focused on complaints by the US business community that the rigid, unpredictable system of export licensing gives foreign companies a competitive advantage.

The legislation was designed to resolve the battles which raged throughout the 1980s among the government agencies resonsible for administering controls – the Commerce, State and Defence Departments. Specific roles were assigned to each, with Commerce taking the lead.

This was all unsatisfactory to the Bush Administration which complained that the bill limited the president's ability to respond to national security and foreign policy concerns. It was, of course, anathema to the Pentagon, which seemed in danger of losing its significant role in the licensing process.

Last week's Senate bill was a reaction to the Gulf crisis and a series of press reports about how the Pentagon barely got the Commerce Department to halt a sale of furnaces which could be used in making nuclear weapons.

The Senate tightened controls on the export of missile technology, raised civil and criminal penalties for breaking the current trade embargo against Iran, and placed Syria, Iraq, Iran and Libya into the category of controlled countries, subject to review by the Pentagon. It also provided for sanctions against those countries found to have exported sensitive products to Syria, Iraq, Iran and Libya.

The Pentagon would seem, for the moment, to have the upper hand in the debate. Conservatives are thundering their outrage. Mr William Safire, a New York Times columnist yesterday demanded that "see-no-evil" Commerce Department officials "be given early access to the revolving door".

On Capitol Hill, a House "staffer" said Pentagon officials had two months ago informed his committee that the furnaces posed no danger for nuclear weapons production. Mr Williard Workman, a US Chamber of Commerce official suggested it was no coincidence that the story came out a day before the Senate was to vote on the EAA.

A House-Senate Conference Committee must now negotiate a final bill. Whatever emerges (if anything does this year) may once again be left in the dust of events before the next Congress is in session.

Nissan fights to survive in tough Taiwan

Ian Rodger and Peter Wickenden examine a battle for Asian motor market share

LAST SPRING, Yue Loong, a Taiwan motor company in which Nissan Motor of Japan has a 25 per cent stake, started shipping cylinder blocks to Nissan in Japan.

The move showed how Nissan proposed to stay and fight for survival in Taiwan's chaotic car market – by trying to boost exports.

Nissan's experience in Taiwan over the past 23 years is a lesson in the problems faced by multinational motor companies and governments of developing countries in dealing with each other.

In an era of ferocious competition among multinational motor companies, developing countries have little choice but to resort to licensing agreements with established producers for local production.

The problems of Hyundai of South Korea show it is too late for these countries to develop a new internationally competitive car maker. Yet, car purchases represent such a large item in any country's gross national expenditure that a country like Taiwan cannot afford to leave the sector entirely to imports.

Still, licensing arrangements tend to be unsatisfactory for all concerned. The host government is never satisfied with the level of local value added, the licensor is frustrated by the lack of scale for his operation, and the country's consumers know they are getting a limited choice of goods at inflated prices.

Taiwan initially resorted to the tactics of setting import quotas – the market was closed until 1966 – and high tariffs to encourage local production by foreign companies. This protectionist policy worked beyond expectation: there are now seven foreign companies involved in making cars and trucks in the country.

The reason for this rush on such a small market – 467,130 cars sold last year – is that the world's car makers see Taiwan as a training ground *for moving into the giant* China market. The unfortunate result has been that none of the car makers can achieve the scale needed to make cars at internationally competitive prices.

Taiwan's response to this development was to announce in 1985 a plan to reduce tariffs on cars imported from all countries except Japan, a discriminatory policy. Taiwan is upset by Japan's huge bilateral trade surplus and, since it is not a Gatt member, it can do what it likes.

Nissan's experience is a lesson in the problems multinational car groups face in dealing with developing countries

NISSAN

The effect was to challenge Japanese makers to build an *export-oriented car industry in* Taiwan. Japanese companies know competitors are able to import lower cost cars from their home countries, thus enabling them to be more competitive in Taiwan. Already, nearly half all cars sold in Taiwan are imports, against 19 per cent four years ago.

So if the Japanese companies wish to remain, they have little choice but to improve competitiveness of their local operations.

Nissan's position was more difficult than for other Japanese companies because two years ago, Yue Loong and its national distributor, Chinese Automobile Company (CAC), split. Until then, Yue Loong had been domestic market leader, with 30 per cent,but its share fell to 13.5 per cent last year, well behind the new leader, Ford, at 19.8 per cent.

The CAC crisis reflected weaknesses in Yue Loong's management. Nissan realised that if it was to continue, it had to take a stake in the company. It was a tough decision, but the China card carried the day. "If we want to go into China, we will need to know the language and business customs," says Mr Hisayuki Sakamizu, Nissan's representative in Taiwan and executive vice-president of Yue Loong.

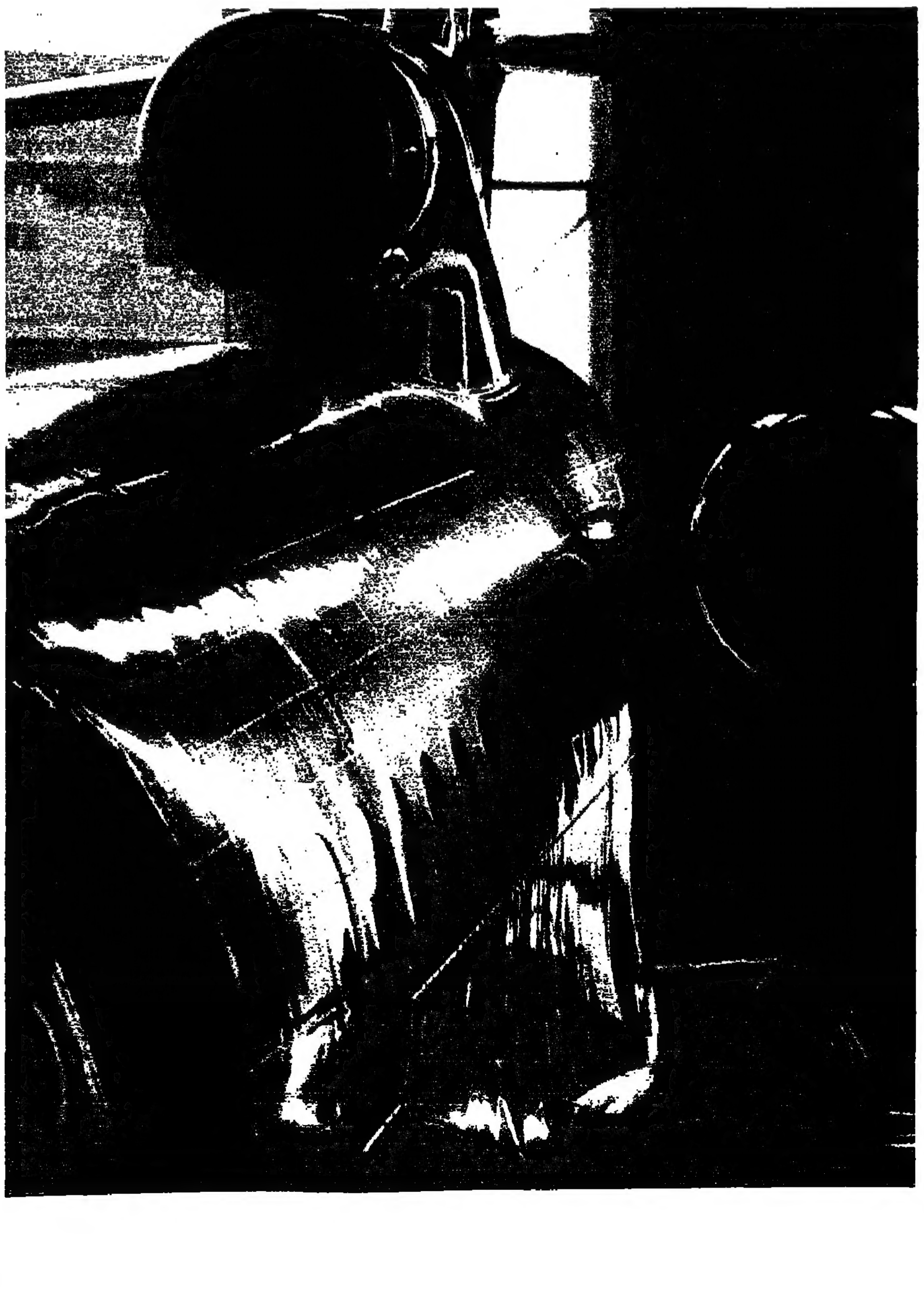
Meanwhile, the challenge is to make Yue Loong a successful company again.

Yue Loong has a huge production site at San Yi in the middle of the country, but the existing factory complex, built in 1981, is small, under-used, and was designed with low cost labour in mind. Unfortunately, in the past three years, labour costs in Taiwan have soared, making local production of many items uncompetitive.

The pressure on Yue Loong was intensified by the reduction in tariff protection – tariffs on imported cars have dropped from 65 per cent in 1985 to 40 per cent and are scheduled to drop to 30 per cent next year. The company responded quickly, and the average local content in the models it makes is now down to about 50 per cent.

Mr Sakamizu believes that the only answer is to build up volume to an economic level, and that cannot be done relying on the domestic market alone. "The first step was to find an export opportunity for components," he says.

From March, the company began selling cylinder blocks to Nissan in Japan, and Mr Sakamizu makes clear that is just a start. "We want to be able to export finished vehicles to countries where we have to compete with European, US and Japanese made products, in other words, grade A markets. If we cannot do that, the game is over."



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UK NEWS

Employers signal gloom over economic prospects

Major warned of recession unless interest rates cut

By Hazel Duffy

INTEREST rates must be cut before the end of the year if a full-blown recession is to be avoided, the Confederation of British Industry, the UK employers' association, said yesterday.

The CBI's call, made after its first council meeting since July, is the strongest evidence yet that the warning signals of recession are spreading across industry, and also throughout the country.

Sir Brian Corby, CBI president, said that members feel "a great deal of gloom. In many cases they feel that they are entering a recession."

CBI leaders met Mr John Major, Chancellor of the Exchequer, last week when they expressed their worries. The Chancellor, however, gave no hint that he was prepared to see interest rates come down by the end of the year.

The contrast with the mood of CBI council members yesterday and three months ago was marked. Then, the CBI's stance was that the reduction of inflation was the target. A cut in interest rates in haste, it was said, could be damaging if rates had to go up again quickly.

Today, it is that interest rates need to come down as part of the fight against inflation.

The argument used by CBI economists is that the inflation rate is an indicator that lags behind the economic reality. Inaction risks widespread recession.

The CBI's quarterly survey of trends in manufacturing industry, to be published next month, will give more evidence of the situation on the ground.

But current indications hint that pay settlements might have already peaked.

● SIGNS of a sharp cut back in investment by manufacturing industry emerged yesterday from official estimates of construction orders, which showed a 30 per cent decline in orders from industry for the three months to July, writes **Charles Leadbeater.**

The estimates published by the Department of Environment suggest that over the summer industry has reduced significantly its investment in factory and warehouse expansion in the face of slowing growth.

The drop in industrial orders, with a further fall in private housebuilding and public sector demand, meant orders received by contractors between May and July were 11% down on the preceding three months and 18 per cent down on last year.

Trade law overhauled to bring UK in line with EC standards

By Robert Rice, Legal Correspondent

THE Government has proposed a radical overhaul of trade marks law which will comply with harmonisation of legislation within the European Community.

Plans published yesterday in a policy document are designed to simplify and modernise the system for registering and protecting trade marks.

Announcing the Government's proposals, Mr Douglas Hogg, the Industry Minister, said the Government was aware of the substantial value of trade marks to business. The proposals were designed to reflect the realities of the marketplace.

The changes will bring UK procedures broadly into harmony with those in the proposed EC regulation on the Community Trade Mark, which will set up a unitary trade mark system for the whole EC, with an office to administer it.

The regulation is still under discussion in Brussels. Most of the technical issues have been agreed, allowing member states to proceed with measures to harmonise trade mark law. Agreement on the whole package, however, is being held up by arguments over where the Community Trade Mark Office should be located.

The new law will also contain a provision allowing the UK to ratify the protocol to the Madrid Agreement (an international system for the protection of trade marks) making it easier for UK trade mark owners to obtain protection in other countries.

The Madrid Agreement, which is administered by the World Intellectual Property Organisation in Geneva, has been in operation since 1891. If a mark is registered in any of the 29 countries that are members of the agreement, it facilitates registration in any or all of the other 28.

The UK has so far been unable to become a member of the Madrid Agreement because its procedures and fees are not compatible. A protocol to the agreement that avoids those difficulties was agreed in 1989 and has been signed by 28 countries, including the UK.

Among the main UK proposals announced yesterday are:

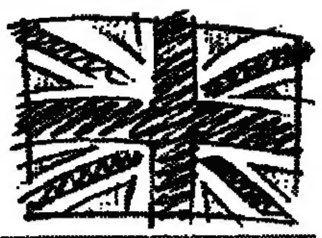
● A more flexible definition of the kinds of signs that may be treated as trade marks.

● A presumption that a mark ought to be registered unless there is some specific objection.

● Simplified procedures for registering marks with the Trade Marks Registry, including ending the division of the register into two parts, making it possible to register several classes of goods or services with a single application.

● Improved protection for existing trade marks. It will be illegal to use a trade mark to sell goods similar to those for which a mark is registered. It will be possible to prevent use of a trade mark in comparative advertising.

BRITAIN IN BRIEF



BT reaches deal with supplier

British Telecom and GPT, its main supplier, have reached an agreement which could lead to the UK manufacturer supplying BT with up to £1bn of its advanced System X digital exchanges between now and the end of March 1992.

The agreement does not, in itself, imply any increase in orders that GPT might otherwise have expected. However, it puts the relationship between the two companies onto a longer term footing.

Over the past year, GPT's financial position has been hurt by short term fluctuations in BT's ordering pattern. GPT is 60 per cent owned by the UK's General Electric Company and 40 per cent by Siemens of West Germany.

The agreement gives BT the option of buying up to 3.25m lines or more of System X equipment during each of the next two years. BT has already placed orders for 2.7m lines.

Ferry rescue described

A survivor of the capsized Herald of Free Enterprise, bosun Mr Terence Ayling, described at London's Central Criminal Court how he spent two hours on the side of the ferry rescuing passengers. "I stayed on the side helping rescue passengers by smashing windows and pulling them out as quickly as possible," he said.

He was the first witness to describe events on board on the day of the Zeebrugge disaster in which 192 people died.

P&O European Ferries (Dover) Ltd, formerly Townsend Car Ferries, four crewmen and three officials have denied a single charge of manslaughter arising from the capsize on March 6, 1987.

Admen for Inland Revenue

The Inland Revenue appointed D'Arcy Masius Benton & Bowles, the London advertising agency, to handle its first national advertising campaign.

The campaign, which is expected to cost around £6m, is intended to inform the public about the implications of the changes in reclaiming the tax paid on the interest from bank and building society accounts.

DMB&B, a subsidiary of the privately owned US marketing group of the same name, recently rescued Yellowhammer, another well known London agency, from the receivers.

BR fails to run on time

British Rail's punctuality and reliability in the West Midlands has plunged to an all-time low, according to the West Midlands Passenger Transport Executive (Centro).

Mr Robert Tarr, Centro director general, said that disquiet about the quality of local rail services had reached crisis point. "I think it is right to say that rail unreliability in the year has finally exhausted our patience," he observed.

Centro is the executive arm of the West Midlands Public Transpoprt Authority, a statutory body, funded by seven councils and responsible for defining regional policy on public transport.

Coal mine offer rejected

British Coal rejected an offer to sell one of its mines in South Wales, prompting angry accusations that it was trying to stifle competition.

The nationalised coal corporation turned down a bid from Ryan International, Britain's largest private coal-mining concern, to keep open Blaenant colliery, which stopped production in May with the loss of 580 jobs.

SNP debates leadership

The Scottish National Party began its annual conference in Perth which will end on Saturday with the election of a new party leader to replace Mr Gordon Wilson, who is stepping down after 11 years.

The party has been engaged in an intense but polite leadership campaign ever since Mr Wilson, who lost his parliamentary seat at Dundee East in 1987, announced in May he was standing down to concentrate on his legal practice.

The two contenders are Mrs Margaret Ewing, MP for Moray, and Mr Alex Salmond, MP for Banff and Buchan. Mr Jim Sillars, MP for Glasgow Govan and the best known figure in the party, is not standing.

Finance houses to be sold

Lombard Tricity, a subsidiary of National Westminster Bank specialising in providing consumer finance to High Street stores, is to buy Thorn EMI Financial Services and Trinity House Finance, the two UK consumer finance houses owned by Thorn EMI, the music, rentals and technology group.

The deal means that store cards and consumer credit business for Thorn EMI's retail outlets including Rumbelows will now be owned and handled by Lombard Tricity. The company signed a similar agreement a month ago to handle new business for Grenada and Visionhire.

Lombard Tricity will pay approximately the current net book value of the two businesses, which Thorn EMI said is around £100m at present.

Private sector performance up

Britain's privately-owned companies performed better in profit terms last year than their listed counterparts in industry as a whole, according to a survey of 10,000 privately-owned industrial groups.

According to the annual survey, by Jordans, a business information group, 15 per cent of Britain's private companies made a loss in 1989, compared with 17 per cent for all companies.

The report reveals a broad range of profitability among private companies. More than one third of those surveyed doubled their profits in the last financial year, while nearly 40 per cent recorded no growth.

Ambulance pay deals outlined

Majority of ambulance workers seem likely to get an extra 2 per cent local pay increase on top of the 7.9 per cent award but most will not get the 9.9 per cent in wage packets from October 1.

The London Ambulance Service this week announced that it had reached agreement with unions for the 9.9 per cent pay increase.

Channel 5 plans revealed

The shadow Independent Television Commission is offering potential operators of the planned new Channel 5 television service the opportunity of providing local television for as many as 35 cities and towns.

Elite schools consider exam reforms

Pupils at one of Britain's fee paying and non-state schools. Some of the independent sectors headmasters think that government examination reform proposals are too radical

PERHAPS no education reform has proved as vexing or divisive to the nation's elite independent schools than plans to reform pre-entry university exams, writes Norma Cohen.

At the Headmasters Conference currently meeting in Aberdeen, Scotland, the heads of the most prestigious private schools, including Eton and Winchester, have called for a private session in which to discuss how to respond to a government advisory panel's recommendations on examination reform. The proposals suggest an overhaul of curricula that many independent school heads find radical and unacceptable.

Mr Tony Evans, headmaster of Portsmouth Grammar School and chairman of the HMC's Academic Policy Committee, says his personal view is that should the proposed reforms be adopted, independent schools should take the radical step of striking out on their own on post-16 education by offering a curriculum that is not approved by government.

However, headmasters are acutely aware of the political and social dangers of striking out on their own with a separate curriculum.

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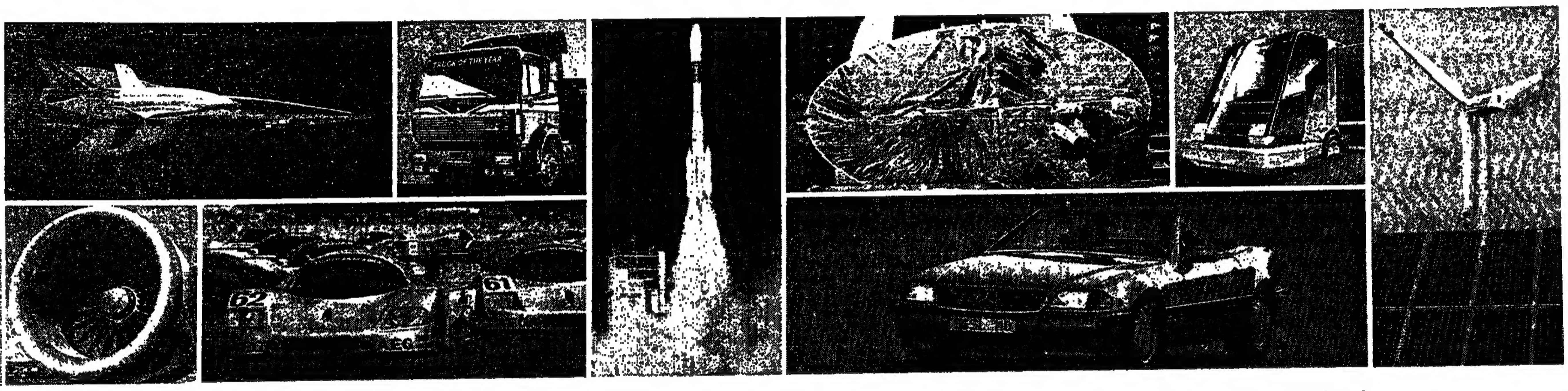

For Daimler-Benz, the 1980s were the best years in the history of motor vehicle manufacturing and marketing. And it is motor vehicle manufacturing and marketing that are at the very heart of the enterprise known as Daimler-Benz AG.

Yet this was also the decade that saw Daimler-Benz take an important step forward and become a diversified high-technology company. This restructuring has now been successfully completed.

Our new structure provides us with an outstanding opportunity to shape our future. We are now ready to forge ahead in a world more dynamic than at any time in recent history. One in which borders are crumbling and great industrial regions are moving ever closer together.

To strengthen our international presence, Daimler-Benz will soon be represented on the major stock markets of the world. The company's year-end 1989 financial statements have already been structured to meet international standards.

Daimler-Benz Group	1989	1988
Employees (at year-end)	368.226[1]	338.749
Domestic	298.199	268.277
Foreign	70.027	70.472
Sales (in millions of D-marks)	76.392	73.495
Domestic	29.562	29.094
Foreign	46.830	44.401
Balance Sheet Total	62.737	51.931
Non-Current Assets	20.084	17.342
Stockholders' Equity	16.966	11.323
Investments	7.620[1]	7.007
Research and Development	5.494	4.744
Personnel Expenses	23.199	22.371
Net Income	6.809[2]	1.702

1) Including Messerschmitt-Bölkow-Blohm GmbH at year-end.
2) Not comparable with 1988 figures because of non-recurrent income and expenses.

To meet the needs of a growing market, Daimler-Benz will invest DM 30 billion in capital spending over the next five years. Research and development investment during that same period will exceed DM 40 billion. This is the largest investment in the future ever planned by Daimler-Benz.

As a worldwide high technology company, Daimler-Benz is facing new challenges that will promote new growth and development opportunities for the company and our employees.

We at Daimler-Benz would like to thank our stockholders for the trust they have shown in the past, and for their confidence in the future of this enterprise. This confidence is a source of determination and strength – and the foundation on which Daimler-Benz will build for the 1990s.

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UK NEWS

EMU under attack from independent think-tank

By Rachel Johnson

THE POLITICAL and financial costs of economic and monetary union (EMU) have been underestimated while its benefits have been oversold, according to a Centre for Policy Studies report published today.

Mr Tim Congdon, a monetarist economist, writes in the latest paper from the CPS, the right-wing think-tank independent of the Government, that EMU would have "drastic implications" for Britain's political independence.

Although "woolliness" surrounded the transition to EMU, certain options were being eliminated, he said. The UK Treasury's proposals for a parallel currency – the "hard Ecu" – were being resisted by other governments and central banks. "Instead, the move to a single currency is increasingly being seen as a once-for-all replacement of existing national currencies by a new *pan-European currency*," he says.

The move to a single currency for Europe would be as sudden as the one-day merger of the ostmark with the Deutsche-Mark in July. The sudden death of existing currencies would have very high transitional costs and practical difficulties.

Contracts – such as pensions and mortgages – would have to be converted into Ecu. The revision of long-term contracts such as bonds and insurance policies would constitute a radical change from the interest - and exchange rate environment in which the contracts were drawn up. Real returns would differ and lawyers and accountants would have a field day, he predicted. Banks would bear the burden of the transition heavily.

At present, the various countries manage their banking systems differently with individual systems of control, prudential regulation, and lending. A single currency would entail wholesale harmonisation of these systems.

The benefits of the single currency, meanwhile, were restricted to the elimination of transaction costs and greater transparency of cross-border investments.

Still waters run deep for British shipping industry

Charles Leadbeater, looks at the Government's limited new partnership with the UK's shipping sector

THERE was an eery echo of 1970s corporatism as Mr Cecil Parkinson, the Transport Secretary and Sir Jeffrey Sterling, the president of the General Council for British Shipping yesterday launched their joint report on the state of the UK shipping industry.

The fate of the report's proposals will be a test case of the argument that British industry would be revitalised by an industrial policy based on cooperation between industry, government and unions.

The report seems to be a model of that approach.

But Mr Parkinson was quick to rebut suggestions that the joint approach was a return to the past and stressed the government's role would be strictly limited.

The government's would examine whether UK regulations governing the industry could be modified, press the EC to clamp down on subsidies other governments provide their industries and argue for further a liberalisation of the international shipping market. However quite drastic action *may be* required to revive the industry. The UK registered fleet has declined from 43m deadweight tonnes in 1980 to 4.5m tonnes by the end of this June.

Britain has not been alone in its decline. The national flagged fleets of developed countries have fallen from two-thirds of the world fleet in 1970 to one third last year. Much of the fall in the UK registered fleet is due to two factors besides worldwide over capacity.

UK shipowners have flagged-out, to register vessels in foreign countries to exploit laxer regulations and low labour costs for crews. In addition British shipping has faced competition from other developed nations where governments offer shipowners substantial subsidies.

Accelerated depreciation allowances, low corporation tax and investment grants are available to shipowners in many EC states to lower the cost of investing in new capacity. In addition income tax concessions and reduced social security payments are used to lower labour costs.

Despite the decline in the 1980s the British shipping industry makes more of contribution to the nation's foreign earnings than the civil aviation industry. Its net foreign earnings last year were £1.1bn.

The report's description of the industry as "lean and fit" may not be one many British seafarers would recognise. They would call it malnutrition.

But the report says: "The shipping industry worldwide is emerging from the longest slump in its recent history. Demand for cargo and passenger carrying has been rising strongly. The probability is that perhaps 300m deadweight tonnes of shipping worldwide will need to be replaced in the coming decade at a cost of perhaps $200bn".

The British industry will face two main obstacles in responding to this surge in demand.

First, there is an acute shortage of skilled seafarers. Having cut the number of UK officers and ratings from 58,333 in 1976 to 17,838 last year, the British shipping industry is now in desparate need of skilled labour.

Second, the British fleet is ageing. The average British vessle it 13.7 years old, compared with the worldwide average of 12.7 years. About 30 per cent of the British owned fleet is more than 15 years old.

The problem is that despite the forecast improvements in demand and profitability, freight levels are not high enough to justify the investment needed to expand the fleet. The report warns a further decline is in prospect.

The report makes five main recommendations designed to help halt the decline by making the UK register more attractive to British and foreign investors.

● Procedures for registering vessels in the UK will be simplified to make them less time consuming and expensive. The Department of Transport will soon start to recognise reputable foreign standards for equipment, rather than insiting a ship's equipment meets UK standards.

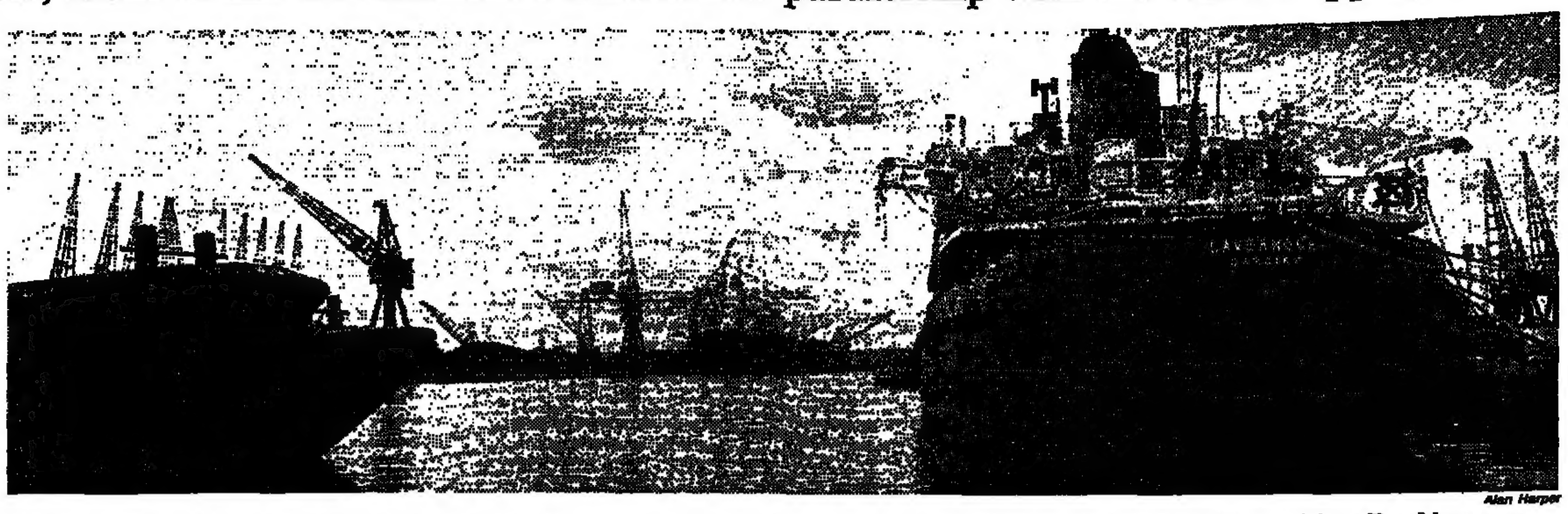
● The requirement that the senior officers of UK flagged vessles should be British, Irish or Commonwealth citizens should be relaxed.

● The UK registration scheme should have the flexibility to allow chartered vessles to move in and out of it.

● The international shipping market is relatively open. However several EC countries, including France, Greece and Italy, restrict international competition on coastal ferry, cargo and cruise routes. The Government is pledged to press the European Commission to open up these areas to competition and clamp down on subsidies.

● The industry should adopt targets to improve training and with the government, unions and training colleges conduct the far reaching overhaul of training programmes.

However the report makes no mention of the measures which the industry believes will be essential: tax concessions to encourage investment. Sir Jeffrey will be taking up that request with the Chancellor of the Exchequer in due course. Few would bet him emerging successful.



Alan Harper

Becalmed in Cardiff: the Lavernock was later registered in Malta to take advantage of the generous subsidies other EC countries offer shipowners

US group to build £15m semiconductor factory in Plymouth

By Michael Skapinker

THE HARRIS Corporation of the US is to establish a European semiconductor testing and *assembly* operation in Plymouth on the south coast of England employing some 200 people.

The company expects to build a larger fully-fledged chip factory, employing a further 300, on an adjacent site in the mid-1990s.

Harris, whose businesses include electronic systems, semiconductors, communications and office equipment, said yesterday that it had chosen Plymouth after a two-year examination of 13 sites in eight European countries. Its final shortlist consisted of Plymouth, a site in Scotland, and Dundalk in Ireland, where the group already has a components factory.

Harris, which is to spend £15m on the testing and assembly plant, said it had received a £1.2m grant from the Department of Trade and Industry. Mr Ray Oglethorpe, vice president of Harris's semiconductor division, said that while the grant was welcome, it had not been the deciding factor.

All the regions Harris looked at had offered incentives. Harris had been attracted by the technical expertise available in Plymouth, as well as by its infrastructure and educational institutions, he said.

Mr Douglas Hogg, the industry minister, said that the choice of Plymouth was particularly welcome after the job losses the city had suffered as a result of defence expenditure cuts. The management of Devonport Royal Dockyard in Plymouth announced the loss of 1,450 jobs last August.

Mr Oglethorpe said that Harris, which is the sixth largest semiconductor vendor in the US, had decided to establish the plant after requests from European customers for a local chip manufacturing facility.

Harris's European customers include GEC Avionics, Racal and Lucas Industries of the UK, Bosch of West Germany, Ericsson of Sweden and Airbus Industrie. About a quarter of Harris's 1989/90 semiconductor sales of $784m came from Europe. Mr Oglethorpe said that fears of European protectionism had not played a role in Harris's decision to establish the Plymouth plant.

Mr Oglethorpe said the plant would assemble and test application specific integrated circuits (Asics), which are chips made to customer specifications.

If the European semiconductor market continued to show its current high levels of growth, the company would spend a further £110m on an advanced semiconductor manufacturing plant.

The Harris investment follows the announcement earlier this year by Fujitsu of Japan that it is to build a semiconductor factory in Newton Aycliffe, County Durham. Goldstar, the South Korean electronics company, is also examining the possibility of setting up a chip plant in the UK.

Business verdict on BBC radio overseas

By Raymond Snoddy

CHAIRMEN of leading British companies have praised the BBC World Service for spreading "an image of British fairness and fair play which sets the scene abroad for successful business negotiations."

The business verdict came in a survey among chairmen of 25 of Britain's largest companies with a combined *turnover* of £125bn last year.

Nearly all the chairmen said they listened to the World Service when they were abroad and five did so at home.

Mr John Tusa, managing director of the World Service said last night at a City of London reception *to announce* the results of the survey that the BBC World Service was an international trading company.

"We deal primarily in news and information, trading in 38 languages and operating in every country in the world so we do need to *know how* we are regarded by chairman of businesses with large overseas interests," he said.

The service was praised by businessmen for its measured delivery and for being authoritative and dispassionate.

The "aura" was held to be one of "balanced, *almost* clinical objectivity."

The company chairman, in a survey carried out before the Gulf crisis, saw a political as well as a diplomatic role for the World Service.

It concluded that BBC broadcasts from London could be "a major *influence* in a country where there is repression or strife in that the World Service is a reliable source of immediate news on the conflict."

Some of the businessmen spoke of being increasingly aware of Mr Ted Turner's CNN as an *international* news provider, but also said they wanted to see the World Service compete with CNN.

Mr Tusa, who has been trying to raise money to launch a television version of the World Service, said: "World Service Television News must not be one of the 'might-have-beens' of history."

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BUSINESS LAW

Towards a market economy: wholesale transfer, ownership of assets and the concept of private property

Strong domestic interest provoked by Hungary's privatisation

By Paul Knight

HUNGARY is on the path to becoming a market economy. No single step is more important than privatisation. The issue is of more than theoretical interest. A number of Hungarian state enterprises have already been privatised and parts sold to foreign investors. Ibusz, the country's leading tourism company with a 40 per cent share of the market, was floated on the Budapest and Vienna stock exchanges in June. The offer was 23 times over-subscribed.

Privatisation in Hungary – as in the rest of eastern Europe – is at the core of the debate about how best to move to a market economy. It raises the most difficult issues including the wholesale transfer and ownership of assets and the idea of private property. Moreover, privatisation tends to bring into stark relief the interests of managers appointed by the old regimes, workers fearful of being laid-off yet without the resources to buy shares in the privatised entities and foreign investors.

Hungary has enacted modern company and foreign investment legislation designed to lay the foundation for private enterprise and foreign investors. This includes:

- the 1989 Foreign Investments Act;
- the 1988 Act on Economic Associations (Company Act); and
- the 1990 Act on securities and the Stock Exchange (Securities Act).

This legislative package allows foreign investors to participate in Hungary through joint ventures or directly through the ownership or formation of Hungarian companies. In addition, foreign investors should note:

- there is no limit on the level of foreign ownership or management control of such entities (although approval is needed for foreign majority control);
- foreign investors may repatriate both hard and local currency profits;
- a variety of corporate forms are permitted including joint stock or share companies (analogous to the Japanese Kabushki Kaisha, German AG or the UK Plc). Hungarian company law is modelled on the West German and Austrian systems;
- joint ventures even with majority foreign control can own real estate, although there are certain practical problems;
- specific guarantees against expropriation and nationalisation; and
- a modern tax code with special incentives for foreign investors.

On July 1 1989, Hungary adopted specific privatisation legislation. The legislation is aimed at ensuring an orderly transformation of approximately 2,000 state enterprises into a corporate form and ultimately into private hands.

Subsequently, a government agency – the State Property Agency (SPA) – was created to supervise the process. The directly relevant legislation is:

- the 1989 Law on the Transformation of Economic Organisations (Transformation Act);
- the 1990 Foundation of the State Property Agency Act (State Property Agency Act);
- the 1990 Treatment of State-Owned Assets Act; and
- Decree 30/1989 on the Valuation of Assets in Connection with the Transformation of State Enterprises.

The Transformation Act is the core of the legislative package. The legislation has two discreet parts. First, it provides for the transformation of state enterprises into joint stock or limited liability companies. Second, it establishes the conditions to govern the sale of assets or stakes in those companies to investors.

All 2,000 state enterprises are theoretically eligible to be privatised. There are two main types of state enterprises: enterprise council; and ministry run entities. The former are governed by their workers and management. The managers of the latter are appointed by government ministries. Approximately 75 per cent of Hungarian state enterprises are of the enterprise council variety.

In the context of present legislation the distinction between the two types is important. Enterprise councils have more discretion over privatisation transactions. They may initiate the process, negotiate directly with potential partners or investors and decide (with some exceptions) on what stakes should be sold to investors and whether those sales should be through private transactions or a public offering. Formally, the SPA only has the power to veto such transactions.

There is no express ban on foreign participation in privatisation. Indeed, current Hungarian privatisation legislation makes no distinction between foreign and domestic investors. Moreover, the Company Act and Foreign Investment Act specifically provide that foreigners operating through joint ventures or foreign controlled Hungarian companies are to be treated equally with domestic companies.

Hungarian privatisations are supervised by the SPA, which was created in March 1990 under the State Property Agency Act. It holds the legal title to the assets of state enterprises. The agency is administered by a managing director and a board of directors which sets overall policy.

The privatisation process has attracted considerable controversy. As a result, the law is in flux and current practice is about to be altered to respond to perceived inadequacies in the present legislation.

The controversy has centred on the role of enterprise councils and the scope of their discretion. In fact, enterprise council-led privatisations (so called "spontaneous privatisations") have been open to abuse.

The abuses have tended to be two-fold. First, the perception in Hungary is that important national assets were sold to foreigners at under-valued prices. Second, government appointed managers, whose entitlement to the assets was dubious, benefitted most from the transactions. The creation of the SPA addressed this problem.

The likely changes will have the public policy objectives of preventing these abuses and centralising the process so that it is consistent with Hungarian industrial policy while maintaining the pace of privatisations.

Thus the Hungarian Government intends to reduce the authority of enterprise councils, increase the authority of the SPA and bring it under direct government control.

Policy guidelines are also being prepared to establish the criteria for evaluating specific transactions. They will focus on issues such as how much of the entity should be sold to investors (foreign and domestic), and whether the sale should be through a private transaction or public offering.

It is likely that foreign investment will be restricted in certain sectors and enterprises. Moreover, the new guidelines will govern the awarding of mandates to investment banks and the like.

Does Hungary's privatisation legislation have the necessary ingredients to work?

Certainly, its legal and regulatory framework goes a long way to meeting the minimum requirements (and is by far the most advanced in eastern Europe). There is an entitlement to own property and unlike certain other eastern European countries this entitlement has existed for several years.

While Hungarian accounting standards are inadequate, steps are being taken to remedy this and most of the international accounting firms are now represented in Budapest. Hungary also has an independent legal profession and international law firms are opening offices in the country.

Hungary's Securities Act is sophisticated and comprehensive, but the Budapest Stock Exchange is fledgling and its settlement and clearance systems are primitive.

There are independent civil courts and arbitration tribunals. Both the Company Act and the Foreign Investment Act are comprehensive. It remains to be seen, however, how well they will be applied.

Finally, the Hungary privatisation legislation itself is inadequate. But the Government recognises this and seems prepared to remedy the situation.

On balance, it seems the necessary legal framework for a successful privatisation programme does exist in Hungary.

The author is European Legal Counsel for Nomura Research Institute Europe Ltd.

MALTA

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For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES

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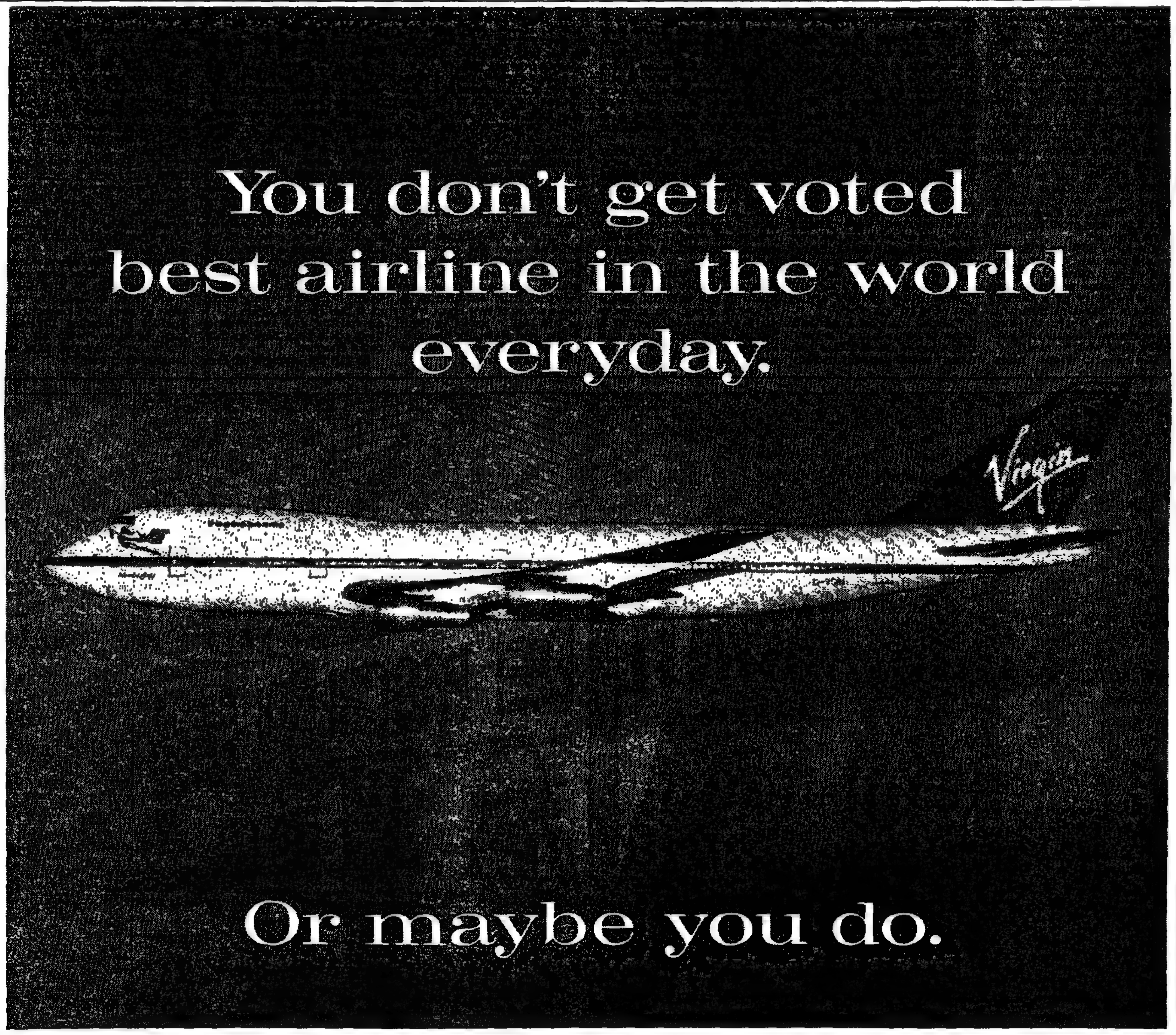

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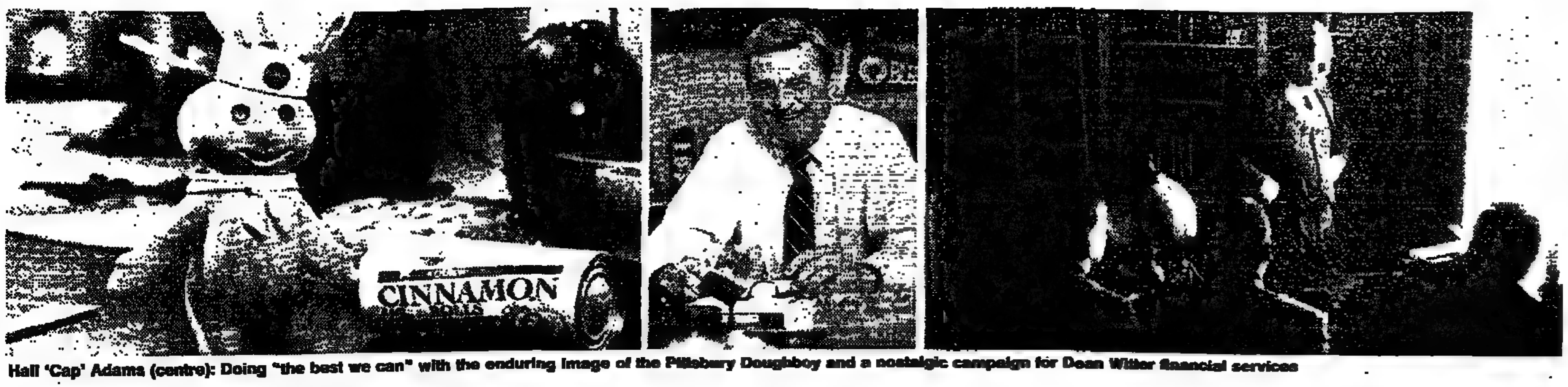

Hall 'Cap' Adams (centre): Doing "the best we can" with the enduring image of the Pillsbury Doughboy and a nostalgic campaign for Dean Witter financial services

Leo Burnett

Why tradition reigns supreme

The US agency may change, but in its own particular way, reports Alice Rawsthorn

Ask the head of any American advertising agency which of their competitors they most admire and the answer is almost always a rueful smile accompanied by the name – Leo Burnett.

In many ways Burnett is one of the least aggressive US agencies. It has just 31 clients, far fewer than most other major agencies. It is still owned by its employees and could hardly be accused of aggression on the acquisition front.

Burnett was a latecomer in the international arena. And whereas other agencies talk in modern managerial terms of decentralised structures, it is centred in Chicago and prides itself on operating only a small office in New York.

But Burnett has been one of the most consistently successful US agencies. It has worked with half its clients for more than 20 years. It has created some of the most enduring images in American advertising from the Pillsbury Doughboy to the Marlboro cowboy.

Leo Burnett flourished in the 1980s by following its familiar route, but it faces new challenges in the 1990s. The pressure for agencies to operate internationally is greater than ever: as is the pressure for them to offer integrated marketing services, not just advertising. Burnett also faces the threat of a legislative clampdown on tobacco advertising which, thanks to Marlboro, is one of the most profitable parts of its business.

The focus of Burnett is still on its founder. Leo Burnett was an unprepossessing man. Time magazine described him in its obituary as a "short, stout plain speaking man who viewed the world through black-rimmed bifocals and generally liked what he saw."

The short, stout plain speaker died 19 years ago but he dominates the agency to this day. There is the 'Leo lore' of memorabilia that hangs outside the chairman's office in Chicago. There are the bowls of red apples – his favourite fruit – that stand in every Burnett building and are given away to visitors. And there are the stumpy pencils – another favourite – on every desk.

"I have this belief that although he has been gone 19 years this is still Leo's company and that we all pass through and do the best we can," says Hall 'Cap' Adams, who joined Burnett as a furniture mover 30 years ago and is now chairman and chief executive officer.

The founder spells out exactly what 'Leo's agency' is all about in a speech given in 1967, a video of which is still shown to every new recruit. In the speech, beginning "This agency means everything in the world to me", he tells his troops the circumstances under which he "might demand" that his name be taken off the door.

"That," he says, "will be the day when you spend more time trying to make money and less time making advertising. When the apples come down to being just apples for eating or polishing - no longer part of our tone." On that day he vows, "dead or alive", he will "throw every goddam apple down the elevator shaft".

Perhaps the most important factor in perpetuating the Burnett ethos is the fact that the agency is still privately owned.

At a time when the publicly quoted US agencies have been embroiled in acquisitions Burnett has been able to concentrate on advertising.

"We are not answerable to anyone but ourselves," says Adams. "We do not have to deal with all that stuff about outside investors who do not know the first thing about our business, or quarterly reporting. If we need to take a hit in the best interests of our staff and our clients we take it."

Burnett, he says, has taken quite a few 'hits' over the years. The company never discusses its profits - as a private concern it has the privilege of not having to do so – but it is regarded as one of the most profitable US agencies. It made gross income of $484m (£260m) worldwide – including $289m in the US – last year. It still insists on average commission of just under 15 per cent for its US accounts, when other agencies are on an average of 12 per cent.

Its profits took a hit last year when the lease on its old headquarters expired and it moved into its own freehold building. "That is the house that Tony the Tiger and Charlie the Tuna (two characters from Burnett commercials) built", chirp Chicago's architecture guides as they pass.

Burnett was lucky in that it managed to let the surplus space in the building before Chicago's downtown property market weakened. Saatchi & Saatchi and Ogilvy are still struggling to let floors in their new buildings in New York.

"There will be no financial benefit from the building for another ten years," says Adams. "Then it will start to pay its way. It is a long term benefit I am bequeathing to whoever is running the show then."

Another privilege of private ownership is Burnett's ability to control its growth. It is renowned for the quality of its service. Adams refuses to disclose details of productivity, but it is safe to assume Burnett has an unusually high ratio of employees to billings.

The head of another agency recalled visiting Kellogg (a Burnett client since 1949) and being "astounded by the number of people they had there. Burnett was all over the place."

Adams suggests that the tradition of centralisation – the entire US operation is run from one building in Chicago – helps quality control. Similarly, he says, the policy of concentrating on a few, large accounts enables senior executives to work more closely with clients. "It is far easier to spend the right amount of time with clients when there are 31, rather than 131."

Burnett's US billings have doubled over the past five years although the number of clients has not changed. Its growth has come from new business from old clients. It had a string of new client wins in late 1988 – including Dean Witter and Hallmark cards – but Adams then "took the phone off the hook".

"We were a little stretched for a time," he says. "You have to be careful not to become too preoccupied with winning new accounts or you can wind up giving these guys (existing clients) the short end of the straw. One or two new clients a year, that is the ideal. But we can not just dial them up when we want them."

The common criticism of Burnett is that its creative output is too folksy and old-fashioned. It is still best known in the US for its "critter commercials" - the long running campaigns featuring characters like the Doughboy. Some critters, such as Tony the Tiger, have even been exported to other countries.

Cap Adams insists "the critters only last for as long as they work". Burnett has killed off a few critters over the years. It recently revitalised its reel with *avant garde* ads for Amurol bubble gum tape and a nostalgic campaign for Dean Witter financial services, featuring footage of its founder looking suspiciously like Mr Burnett himself.

Adams is phlegmatic about the possibility of the legislative curbs on tobacco advertising, which could affect its Marlboro account. The anti-advertising lobby is gathering force in the US and tobacco accounts are a prime target. "All we can do is fight," he says. But Marlboro is widely believed to be one of the most profitable accounts in US advertising and any restrictions could be a blow to Burnett's finances.

So far the strength of Burnett's domestic business has enabled it to be cautious overseas. It ranks as the 14th largest agency in the Advertising Age international league table. But its overseas revenue was $1.3bn against $1.9bn in the US last year. Half of its overseas busines comes from accounts originating in the US.

The risk of advertising agencies losing accounts through international realignment is now higher than ever. But Adams sees no reason to adopt a more aggressive approach. "We know from experience how hard it is to implant our culture in a new organisation," he says. "Our international offices now have the apples and the pencils. But it has been difficult."

It remains to be seen whether Burnett will be able to be as *insouciant* in the future. It does however have a little longer to respond to the other key development in advertising – the trend for clients to expect an integrated marketing service from their agencies.

Three years ago Burnett diversified into direct marketing. It did so by recruiting experienced people and placing them inside the Chicago agency, rather than by setting up a new subsidiary. It is now adopting the same strategy for sales promotion and event marketing.

"The idea is that eventually these skills will pervade the agency so everyone will have the experience to talk to clients about their total communication needs," says Adams. "But that day is still a long way off."

Despite the challenges of legislation, internationalism and integration Adams says Burnett's chief challenge is the same as ever. "We are here to produce outstanding advertising," he says. "With all the clutter around today that is tougher than ever."

Finnish flavour to UK coffee market

As long as the Ministry of Defence burns the midnight oil in Whitehall, it is good news in the land of midnight sun.

The Civil Service drinks Ashbys tea, a brand which traces its heritage back to 1851 but has been owned since 1987 by the UK subsidiary of Gustav Paulig, Finland's largest processor of roast and ground coffee. Ashbys is supplied through Sysco, the food services company which has the Civil Service contract.

This week, Paulig demonstrated its ambitions to become a leading force in the UK hot beverages market when it agreed to take over the processing and sales of Melitta, the West German brand which pioneered filter coffee in the 1960s. Paulig had already stretched the Ashbys brand to include coffee.

Paulig, a family owned company with annual sales of FM1bn (£143m), chose the UK as its beach-head to the European Community in 1987.

The Melitta deal will give Paulig a 9 per cent share of the British retail market for roast and ground coffee, third only to General Foods with 22 per cent and Allied Lyons with 20 per cent.

In Finland, Paulig accounts for 55 per cent of coffee roasting – no mean distinction because the average Finn drinks 11kg every year, the highest consumption in the world, compared with 2kg in the UK. George Docker, Paulig's UK managing director, believes he can double its British share in four years.

The strategy has two prongs. The first is make full use of roasting capacity at Wimbledon, where Paulig installed plant it acquired from a Finnish rival in 1986 and then shipped to the UK. This gave it sufficient capacity to supply one third of British demand and had the added advantage of removing potential competition from Finland.

But simply roasting and grinding beans does not get the coffee on to supermarket shelves or into restaurants. Paulig decided to make quality a selling point.

"It's a very tough market to be in," says Docker. "You've got to use every trick at your disposal to communicate quality if that's what you mean to represent."

Bertel Paulig: quality image

This has involved:

- getting Department of Trade and Industry-sponsored ISO 9000 certification for the Wimbledon plant and the company's tea factory in Milton Keynes.
- emphasising the 100 per cent arabica content of its coffees, rather than the lower grade robusta beans included in some UK blends.
- devoting effort to distinctive packaging. Some of Ashbys' teabags are individually wrapped in foil packets designed by Michael Peters Group and packed in transparent containers. Ashbys coffee is packaged in a continental-style paper wrap rather than the cardboard carton more usual in the UK.
- setting up a franchise system of mini-wholesalers to sell Ashbys to independent caterers. Ashbys catering packs, unlike Melitta, will not be sold in cash and carry stores or carried by food services groups unless that is the only way of reaching large customers.
- rethinking corporate identity. Last week Paulig unveiled a new logo designed by Landor Associates. Bertel Paulig, chief executive and grandson of the founder, was outvoted by the company's six directors on the choice, but he nevertheless perceives in the stylised "p" the aroma rising from a cup of coffee.

Melitta will be supported by more than £1m in advertising in each of the next four years. Paulig's UK agency sounds like it might be at home in Helsinki: Duckworth Finn Grubb Waters.

Clay Harris

**MONTE DEI PASCHI DI SIENA.
517TH BALANCE SHEET
AND STILL PIONEERING.**

Here we present some highlights of our balance sheet as at December 31, 1989. It's our 517th - and we continue moving ahead. We've reinforced our activities in mutual funds, insurance sectors, financing and merchant banking with new acquisitions and initiatives. We've continued to expand our network in Italy and worldwide. Offices in Madrid, Beijing and Tokyo will soon join our others in New York, London, Paris, Frankfurt, Brussels, Moscow, Singapore, Cairo and São Paolo. Our major participating banks, the Banque du Sud, the United Bank for Africa and *Internationale Bank für Aussenhandel* also showed excellent growth - growth that reflects our pioneering spirit.

1989 CONSOLIDATED BALANCE SHEET

	Lit. (billions)	STG (millions)
Deposits from customers	45,569	22,315
Capital Accounts	4,322	2,116
Loans and advances to customers	33,832	16,567
Investments & Securities	15,829	7,751
Net income available for distribution	230	113

The MPS Banking Group includes Monte dei Paschi di Siena and its subsidiaries, Banca Toscana, Credito Commerciale, Credito Lombardo, Banco Valdostano, Istituto Nazionale di Credito per il Lavoro Italiano all'Estero, Italian International Bank.

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The Rehearsal or Love Punished

ALMEIDA THEATRE

A welcome revival of Jean Anouilh's ironic masterpiece, *The Rehearsal* (*La Répétition*) opens the Almeida's new season of French plays. It is a post-war play about pre-war people dating from 1950 when the author was at the peak of his fame. He is writing here about the French aristocracy. The message is that those who live in ancient, inherited châteaux should not make the mistake of falling in love with those who were brought up in the real world.

Jonathan Hyde plays the amorous Count who commits this error by his love for Lucile, the girl in charge of the dozen orphans housed in the west wing. True, Tiger had a previous taste of reality in the army during the war; but not for long. When the rest of his regiment had reached Toulon he was still defending the Loire. He then fired off his one remaining shell, had a bath, a manicure, and returned to his château at Ferbroques. He and his Countess (Nicola Pagett) are determined to perpetuate their traditional way of life. Our function as a class, the Count explains, is not to produce geniuses but to endure.

Anthony Ward's Almeida set, dominated by a huge fresco of Mars and Venus, provides a splendid backcloth for Jasper Conran's ravishingly extravagant black and white costumes. Wisely, this set contains little more than a large neutral space in which a cosseted, ritualistic, leisurely approach to existence may be re-created, through Ian McDiarmid's well-tuned direction.

The Count and his friends are rehearsing a play, Marivaux's *La Double Inconstance* which they will perform at the charity ball to be held in the château. They are short of a girl for the heroine – a simple peasant girl whose innocent love for her fiancé is cynically destroyed – and Lucile is brought along for the role by her godfather, the Countess's lawyer. She is a natural *ingénue*, well impersonated by Julia Ormond who has the knack of shedding authentic tears.

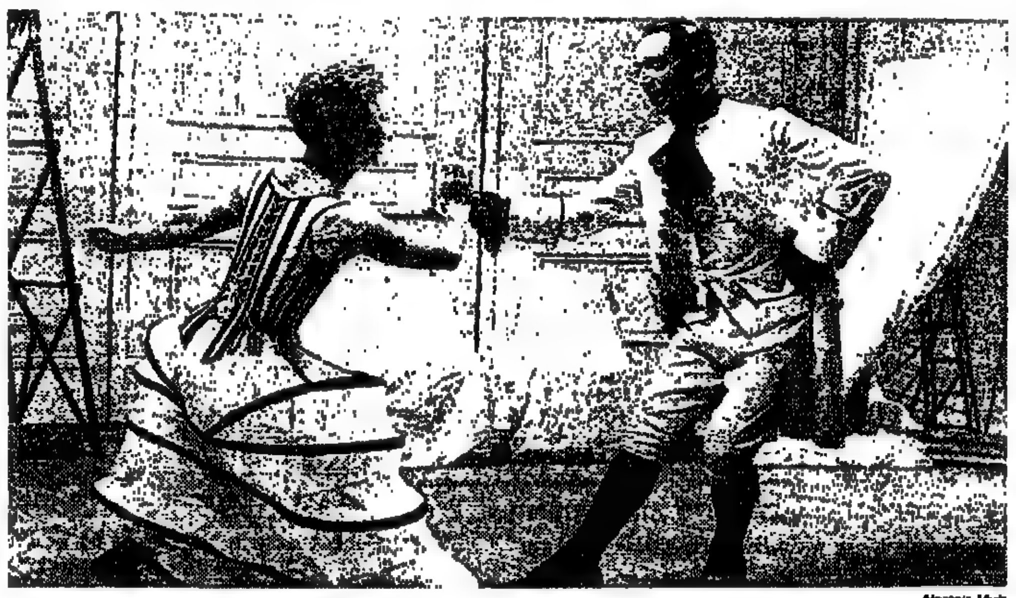
Her two roles, one in life and one in theatre, soon merge and the dove-tailing of the two plays, the piquant jump-cuts from one to the other in the opening scenes, contains some of Anouilh's cleverest writing. His polished dialogue is difficult to render in English, but much of it comes through Jeremy Sams's new translation. He uses a more contemporary idiom than in the previous one by Hansford Johnson and Black.

As the piece develops, the thought of the play these idle people are supposed to be rehearsing diminishes beside the urgency of the threat posed by Lucile to their solidarity and to their exclusive possession of Tiger.

At this point Anouilh shows himself to be a less subtle dramatist than Marivaux. The strategy whereby, at the behest of the Countess, Lucile is seduced by Tiger's best friend Hero (Jonathan Kent) seems even more hollowly stagey now than it did when the work was first performed. "I like breaking things," he tells us more than once, and he proceeds to break Lucile's poised composure by a cruel deception in one of the longest seduction scenes in the history of the theatre. Jonathan Kent handles the marathon in a plausible, taunting, self-disgusted manner that is almost unbearable to watch.

Donald Perlmear plays the lawyer as a softie but, beneath the deference, he is really a hard man. Christine Kavanagh throws her weight around to good effect as the discarded mistress, Hortensia. Harry Burton is dead right as the buffoonish Villebosse. Whereas at the Marigny Jean-Louis Barrault and Madeleine Renaud looked like aristocrats pretending to be actors, at the Almeida Hyde and Pagett look like actors pretending to be aristocrats. But this impressive revival should be seen.

Anthony Curtis



Nicola Pagett and Jonathan Hyde

Alastair Muir

CINEMA

Not such a gay time

LONGTIME COMPANION **Norman Rene**
BYE BYE BLUES **Anne Wheeler**
I LOVE YOU TO DEATH **Lawrence Kasdan**
THE FIRST POWER **Robert Resnikoff**
BLUE HEAT **John MacKenzie**
ANOTHER 48 HOURS **Walter Hill**

The difficulties of raising money to make a feature film about Aids must make compromises unavoidable. But there might be a point when the compromises mean the film is no longer worth making. In a week when you can see sinister little BNF stickers in the London tube saying, "Protect Us from Aids – Outlaw Homosexuals," *Longtime Companion*, by confining itself to gay characters, unwittingly reinforces many of the prejudices that the Aids crisis has inspired. Apparently designed to make homosexuals appear cuddly to the indifferent masses, the film concentrates on a group of friends and partners, all gay, and shows how their lives are affected by the disease.

Visiting the group at random intervals over a nine year period, we first see them in 1981 absorbing the idea of an epidemic in the time when people still talked about gay cancer. A year later one of the group has Aids. By the following year, he is dead, and two more also die. And then there were five.

From carefree parties on Fire Island to miserable conferences in hospital waiting-rooms, director Norman Rene and screen-writer Craig Lucas have focused on this tight network of friends in order to show how their security and well-being are shattered by a force beyond anyone's control. But peace of mind seems to be the only issue the film addresses. There is no mention of the fact that the illness can attack women and heterosexuals too, that no one is sure where it came from; no mention that people are ostracised out of fear, or of the financial and physical hardships beyond the illness itself. Nor does it ask if it is fair that a single community should be allowed to take the blame; or if governments could do more.

In a hospital-visiting scene, one character, Willy (Campbell Scott) retreats to the bathroom and frantically washes his face and mouth after kissing an infected friend. This is practically the only sign of real fear or paranoia in the film; elsewhere, apparently insulated by their middle-class backgrounds and jobs – writer, lawyer, actor – the men take it all in their stride.

There are excellent performances from the whole cast, especially Mark Lamos as a television writer, and Bruce Davison as his lover, who not only takes care of him but writes his scripts when his faculties disintegrate. But it is all *so comfortable*. There is no pressure on loyalties; no one ever seems to worry about money and all the illness is dealt with in a very sanitary way. *Longtime Companion* is a well-made, well-intentioned film about nice people, but its limited view does not really serve its subject-matter well. It is about as valuable to the cause of Aids as *Love Story* was to leukaemia.

Partings and uncertainty reappear in *Bye Bye Blues*, a Canadian film about the pressures of separation during the Second World War. Left behind in an impoverished but an idyllically pretty country backwater, while her doctor-husband is stationed in Singapore, Daisy (Rebecca Jenkins) finds herself with two children to support and no income. In spite of her limited musical ability, she forces herself to play the piano at a local dance, and is paid $3, the first money she has ever earned.

When men went off to the war they probably pictured their wives continuing a familiar domestic life. But women had to support families, do the jobs men had done before, and wondering if their men would ever come back. *Bye Bye Blues* perfectly captures the sensation of marking time that an absent loved-one leaves behind. Daisy's musical skills improve and she becomes the centre of attraction in a local band. At first she is only waiting for her husband to return; but when the Japanese take Singapore and she no longer knows if he is alive or dead, the painful indecision begins. He might have been killed, but, if he is a prisoner, the knowledge that she is waiting might be all that sustains him; or perhaps, if he ever comes home, he will be changed so much that he no longer wants her. These conflicts rob her of the courage to start living again and accept the love of another man.

Small domestic dramas, the marked seasons of a farming community, blue-streaked sunsets, a truck driving through the dusk, a local dance – the tiny incidents of country life captured by director Anne Wheeler – add to Daisy's state of emotional suspension. A slight but beautifully observed film.

If infidelity had been more of an issue for Joey Boca (Kevin Kline) in *I Love You to Death*, we might have been spared a tiresome film. Italian Joey thinks there is no harm in constantly fooling around, but his Yugoslav wife, Rosalie (Tracey Ullman) feels differently. Their jabberings and tantrums suggest that they have been deliberately drawn as volatile, over-excited foreigners to save having to make any logical explanations, because without considering peaceful alternatives, like discussion or divorce, Rosalie decides to kill Joey when she sees him with another woman. Italians and Yugoslavs in the audience may not be too happy about any of this.

The plot of the film, which apparently is a comedy, revolves around Rosalie's inept efforts to kill Joey, and his total resistance to death. Even after his car has failed to explode, eating sleeping-pills in his food and being inexpertly shot three times, Kevin Kline is still on his feet. The script is based on a well-publicised true story, so it is not even a surprise that he survives. Noisy and messy and filled with caricatures instead of real people, the film is inexplicably directed by Lawrence Kasdan (*Body Heat, The Accidental Tourist*). His presence has attracted a marvellous supporting cast – Joan Plowright, William Hurt, River Phoenix – but they cannot turn this frantic nonsense into entertainment.

Scene from 'Longtime Companion'

Detective Lou Diamond Phillips (*La Bamba*) is also troubled by an indestructible enemy in *The First Power*, when a serial killer he had sent to the gas-chamber is reincarnated and starts killing again. A young psychic (Tracy Griffiths) convinces Phillips of what is happening, and unleashes a chain of events all reminiscent of films like *The Exorcist*, *The Omen*, and *Poltergeist*. Every time the killer is destroyed, he is restored again, stronger than before, in a new body. Bag ladies float past high-rise windows. Nuns wield knives. Who will be possessed next? Sadly, that is too easy to guess.

In *Blue Heat* the corruption is more mundane. When a group of undercover Los Angeles policemen, led by the marvellous Brian Dennehy, discover that there is police involvement in some local drug-trading, they are suspended instead of promoted. Their efforts to expose their superiors have the making of a routine but satisfactory cop film, but what seems to have turned this film into a parody of itself is its British director John MacKenzie (*The Long Good Friday*), who handles the cornier bits of action and dialogue with a heavy hand. There have been many excellent American thrillers directed by Europeans so there are no excuses. But there is something very wrong with *Blue Heat*, a collection of clichés without a proper heart.

The reassembling of old ingredients is very evident, too, in *Another 48 Hrs*. In 1982 Nick Nolte and Eddie Murphy played a cop and a crook thrown together in Walter Hill's *48 Hrs*. The film was violent, sexist, but also fast, exciting, and very funny. Eight years later, this sequel, also directed by Hill, has the two reunited to find a criminal who will otherwise annihilate them both. As they have both grown up a bit since they last met – matured is too ambitious a word – the friction between them is less humorous, so that the many shootings, explosions and car-chases involved make rather bald action.

But even if the film has nothing new to say it makes a powerful case for investment dressing. When he is released from jail, Murphy is wearing the splendid Armani suit that proved so serviceable eight years ago. After all the assaults on his person, Murphy is still immaculate at the end of *Another 48 Hrs*, while Nick Nolte's chain-store clothes are ripped to pieces.

Which leads rather unexpectedly to the Pasolini season, since it has been assembled with some financial support from Giogio Armani. The season opens at the ICA with a two-week run – and a newly restored print – of his 1967 autobiographical treatment of Oedipus Rex, and will include the first commercial screenings of *RoGoPaG* and *Hawks and Sparrows*.

Ann Totterdell

Once in a While the Odd Thing Happens

COTTESLOE THEATRE

Once in a While the Odd Thing Happens would make an excellent play for radio. It is just about strong enough to stand up on stage if it is really well done, as it was when it opened at the Cottesloe in the National Theatre on Tuesday. The trouble is that there is nothing very visual about it except the striking background sets of wind, sea, sky and marsh designed by Stephen Brimson Lewis.

This play is about the young Wystan Auden, the young Benjamin Brittan and the young Peter Pears in the US at the outbreak of the second world war. Loosely based on fact, Auden is fascinated by Britten's music; Britten is captivated by Pears's voice. Auden the poet and Britten the composer try to put on a show together in America, and it fails. The title of the play comes from the Britten/Auden opera, *Paul Bunyan*. Britten and Pears fall in love, come back to England – indeed to Britten's East Anglia – and Britten produces *Peter Grimes*.

It is an odd sort of piece for a young playwright like Paul Godfrey to come up with. There is nothing remotely shocking about the male love scenes. On the contrary, they are rather wistful and childlike. The lovers wear suits, not jeans. They play tennis and go for walks on golf courses and do not swear. Auden looks remarkably respectable. The mood is nostalgic, though perhaps a more pretentious word would be elegiac.

Two bits of stage business stand out. One is when Pears and Britten choose to wear each other's shoes on the brink of realising their passion. The other is the way they help each other put on their white ties and dress studs when preparing for a concert performance. For the rest, however, the play would probably be better heard than seen. It is about voices and sounds, not action. There are also times when the dialogue comes perilously close to banality: for example, when Britten's married sister Beth (played by Hilary Dawson) exclaims: "Life is full of ambivalent emotions."

Even the language of the love scenes carries understatement almost to the point of bathos. Apart from the sets, and some clever lighting by Paul Pyant, there is perhaps one stroke of brilliance. The music is kept to the end. This produces a kind of suspense, the temptation being to have inserted it all over the place. Part of Britten's "Four Sea Interludes" is heard only after the final lines of the script.

The parts of Auden, Britten and Pears are played by Stephen Boxer, Michael Maloney and Julian Wadham respectively, and the play is directed by Godfrey himself. Distinctions all round, and they are certainly needed. For if *Once in a While* were only slightly less well done, it would not be much of a spectacle. BBC Radio should snap it up.

Malcolm Rutherford

Carmen

NEW THEATRE, CARDIFF

The curtain rises to show a chic white courtyard with a large palm tree. One soldier is tinkling at a smart grand piano. Another is reading a copy of *Playboy*. Is this to be another updated *Carmen* brim full of controversy?

Well, hardly. There is no doubt that Welsh National Opera knows all about putting on an evening to offend traditionalists when it wants to and it has done its level best to stir outrage over *Carmen* before. But in André Engel the company has found a producer who covers his tracks so well that it was difficult to tell if he has any ideas about the opera at all. He has evidently moved on from the *Freischütz* that upset so many people.

Once past those initial flickers of life the production subsides into routine. The cast is simply asked to go through the motions with a minimum of spontaneity, though in their defence it must be difficult to work up much involvement when one is stuck with Nick Rieti's surgically clean unit set for the whole evening. Perhaps in the end we should not be surprised if that is what we get – a *Carmen* without grit or grime or sweat.

In that respect it may be telling that Jean Stilwell, an experienced Carmen in her native Canada, was able to get more life into the drama than anybody else, including her Don José, Noel Espiritu Velasco. Although he gave a more mature account of himself than hitherto, the two of them really were ill-advised to carry on so in the final scene. Surely one stabbing is enough? José began to look as though he was carving up the family joint.

Altogether the brightest moments of the evening were to be found among the supporting roles. As Micaëla, Gillian Webster was candid and outgoing, winning an enthusiastic round of applause for her gleaming delivery of her aria, and the American baritone Richard Paul Fink brought a touch of vocal glamour to Escamillo, with big, Texan-sized singing in the Toreador's Song. The occupants of the smaller roles, though, failed to make much of a mark.

Indeed, even the WNO chorus seemed subdued. For the opening of Act 3 Engel had them sitting hang-dog together, when the music tells us quite clearly (as indeed do the words "Be careful how you go") that they should be creeping stealthily through the night. This might seem a minor failing after the indignities heaped upon the opera by other producers, but it says much for Engel's lack of sensitivity to movement and atmosphere in the opera throughout.

In the pit John Burdekin led a performance that was sturdy and sensible, rising to a decent sense of drama in the final scene. On an inspired evening *Carmen* can seem to combine miraculously the best of two national styles. On the one hand light-fingered French effervescence. On the other sultry Spanish passion. On Monday night in Cardiff I missed both pretty well completely.

Richard Fairman

Leeds Piano Competition

LEEDS TOWN HALL

The semi-finals of the Harveys Leeds International Piano Competition 1990 are in mid-swing as I write, and on Friday and Saturday the BBC will bring the finals to the nation's music-lovers. By then there will be six chosen finalists, who will in turn have chosen their concerti (from an approved list of 11) to play with Simon Rattle and the City of Birmingham Symphony; no doubt the BBC is praying that most of them will choose different ones. Meanwhile, from the original field of 77 competitors, aged between 16 and 29, after two stages of elimination a dozen semi-finalists survive – or rather eleven; for on Monday night there was an untimely disappearance.

A 21-year-old Pole, Piotr Anderszewski, had announced the baldest programme of all: simply – simply! – Webern's Variations op. 27 and the "Diabelli" Variations of Beethoven. He chose to perform them in reverse order. It took him 55 minutes to expound the "Diabelli," with a mastery of long-range structural tension that far senior pianists would envy, and relentless, searching concentration. After that heroic feat, he returned to undertake the Webern (which is only a few minutes long), promisingly – but with only the brief third movement to go he faltered, froze, bowed and withdrew from the platform and the contest.

For a pianist of this order, it cannot have been a real disaster. No other semi-finalist so far has displayed such an intellectual grip on a major work, and Anderszewski's technical means were equal to it. Gravity, power and pellucid clarity: his chord-balance – crucial in Beethoven's slow variations – was superb, and if he favoured the extreme ends of the dynamic scale (something that the "Diabelli" naturally tempts) his *ff* was as tautly controlled as his *pp*, communicative and telling. That could not be said of the Korean Hae-sun Paik, whose light, fleet fingers were not at home in the boomy acoustic of the Town Hall.

Paik wielded any amount of wayward subtlety of the sudden-swelling-and-expiring kind, so much and so often that the main thread of sense was in constant danger of disappearing: sometimes (as in Schumann's *Humoreske*) because what she was doing was just barely audible, sometimes (as in the Sonata of Bartók) because the principal lines were swallowed up in an ill-focused welter. Since invidious comparisons are what piano-contests are about, I might as well say that not only her Bartók but her peculiarly un-sensuous, un-witty account of Liszt's *Venezia e Napoli* were utterly eclipsed the next night by Balazs Szokolay.

Though at 29 this Hungarian pianist is the oldest competitor, he had begun by sounding like a very talented novice in Chopin's Barcarolle and Ravel's *Valses Nobles et Sentimentales*, coolly stylish ideas compromised by a tendency to rush fences in brittle haste. When he relaxed (not quite the *mot juste*) with his native Bartók he found his showman's mettle – and exquisite tenderness for the unfamiliar "Czik Folk Tunes" – and then proceeded through *Venezia e Napoli* like a true heir to Cziffra. The final Tarantella wasn't note-perfect, but with that terrific electricity and mischief it didn't need to be.

From China, the 21-year-old Xiang-dong Kong brought a soft-edged, pretty account of a Haydn Sonata in C, a very uneven conspectus of Chopin's 24 Preludes and the merest sketch of Ravel's *Gaspard de la Nuit*. His Haydn had been trumped in advance by the 19-year-old German Lars Vogt – as had been, I thought, young Andrei Zheltonog's honest Mussorgsky too; but Vogt and Zheltonog deserve more space in my next report.

David Murray

ARTS GUIDE

September 14-20

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition opens in London sending reviewers scurrying to explain the artists's double vision. Burlington House, Piccadilly (287 9679).

Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, ithouses an important collection of paintings and drawings by Claude Monet and his friends. Monet's love of London is represented by the Houses of Parliament. In the last 20 years of Monet's life, his garden in Giverny became his great inspiration. In glowing colours and changing light he painted its Japanese bridge and weeping willows and, above all, time and again the unforgettable Nympheas – waterlilies on still green waters. Musée Marmottan, 2 rue louis-boilly, closed Mon.

Musée d'Orsay. The spectacular museum of the 19th century issituated opposite the Tuileries gardens within the metallicstructure and the glass-roofed vault of the vast BelleEpoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionist and post-Impressionist collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity.1 rue Bellechasse (45494814). Closed Monday.

Musée de Cluny. Medieval Art in Paris. The Abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the ruins of Roman baths. Now a museum, it houses medieval works of art – goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Place Paul-Painleve, (43256200). Closed Tue and lunchtimes.

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. In contrast, the rather stylised two-dimensional portraits of his friends and of Jeanne Hebuterne, his last and tragic companion, embody perfect repose. (26 223978).

Brussels

KB Gallery. Exhibition of lace accessories and table linen. 17th century to late 1930s from private Flemish collections. Closed Mon. Grande Place.

Palais des Beaux-Arts. 5 million years: The human adventure. Man's evolution shown through 200 archaeological artefacts and other exhibits. Daily, ends December 30.

Florence

Palazzo Vecchio. The age of Masaccio: tying in with the reopening of the Brancacci chapel in the Church of the Carmine after a six-year restoration on the cycle of frescoes by Masaccio and Masolino, are 109 works by painters and sculptors who worked in Florence in the golden years between 1401 (the date of Masaccio's birth) and 1440. Included are frescoes, sculptures and drawings by Paolo Uccello, Beato Angelico, Gentile da Fabriano, Donatello, Brunelleschi, Ghiberti and Filippino Lippi, and four paintings by Masaccio himself.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards.

Palazzo Ducale. Titian. This exhibition organised jointly by the Venice local council, the Arts Ministry and the National Gallery in Washington, marking the 5th centenary of the painter's birth, is the largest for over 50 years. More than 70 paintings are on show, lent by American, Russian and European museums.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. With 50 of his own paintings and 120 by other artists it shows his impact on art in the period 1890-1914. Among the other artists are Matisse, Derain, de Valminck, Picasso, Kirchner, all influenced by Van Gogh.The exhibition moves to Amsterdam in Nov. Ends Nov 4. Goethestrasse 414300, Essen 1.

Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power. St Petersburg was the residence of Peter the Great and acted as an intermediary between east and west. The exhibition covers the period from the 18th to the 19th century of Tsars Paul I (1796-1801) and Alexander I (1801-1825) in its role as the political, intellectual and economic centre of Russia. This unique show gives a clear, variegated view of the historical importance of the period of the Russian empire, with paintings, furniture, sculptures, costumes and porcelain.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Otto von Bismarck, born 175 years ago in Schoenhausen, was the German Imperial Chancellor and Prussia's premier before he was sacked by the young Kaiser Wilhelm II 100 years ago. The current political changes in Europe, particularly in East Germany, underline the importance of this exhibition, which also attempts to explain what happened after the revolution of 1848. Bismarck was at the centre of several conflicts in relation to industrialisation, social questions and the impetus towards forming nation-states in Europe. An accompanying programme includes literature, music performances, films and video. Until November 25.

Leipzig

Museum der bildenden Künste. Max Beckmann (1884-1950), pictures from 1905-1950. Born in Leipzig, the painter taught in Frankfurt's Städel school from 1917-1930. In this exhibition are works from all over the world, including the renowned Synagoge and his final painting Behind the Stage.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends Jan 6.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.

Chicago

Chicago Historical Society. A House Divided, America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.

Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums.

Tokyo

Tokyo Metropolitan Art Museum. Works from the new Japanese Gallery at the British Museum. Screens, scrolls, woodblock prints and ceramics – mainly from the Edo Era of the 16th to 19th centuries when Japan was closed to the outside world.

Idemitsu Museum. Noh Costumes. Noh is the world's oldest extant form of drama, dating back 600 years or so. The sumptuous costumes display the best of Japanese dying and weaving techniques and are themselves works of art. Also on display are masks, fans and stage props. Closed Mon.

Teien Museum. Mind and Body: the human form in Greek art. Sculptures and bas reliefs, mainly from collections in Greece and Switzerland, exhibited in an exquisite Art Deco former palace. Closed Wed.

Touko Museum. Issey Miyake: Pleats Please. Costumes and art objects by Japan's top fashion designer. The pleated costumes that look like space suits and feature geometric designs are based on his 1989 Paris collection.

Channel 4 wins 'Special' Prix Italia prize

The jury at the Prix Italia broadcasting festival seemingly shared the opinion expressed in the television column on this page yesterday: that Zbigniew Rybczynski's programme *The Orchestra* would be a worthy winner of the arts prize.

They were unanimous in choosing it from the 25 entries from 19 countries to receive the prize of 15m Lire (about £6,600). The programme takes such popular classics as Rossini's "Overture to the Thieving Magpie" and Schubert's "Ave Maria" and gives them the rock video treatment.

The "Special Prize" in the arts category, worth exactly the same amount, was awarded to Britain's Channel 4 for *Una Stravaganza Dei Medici*. This technically elaborate – some might say slow and fussy – production, directed by Paul Kafno and Jonathan Hills, uses computer technology to re-create a spectacular Florentine concert of 1589.

Christopher Dunkley

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Arms are not the answer

ANYONE WOULD think that a shortage of weapons was the main cause of instability and conflict in the Middle East. Saudi Arabia is buying $22bn worth from the US, in addition to £16bn-£20bn from Britain. Other Gulf states are arming themselves in proportion, and the Israeli defence minister has been in Washington pressing Israel's claim for "compensation." All this is wonderful news for western defence industries, which had been suffering a serious bout of depression. But it is hardly good news for the Middle East, or indeed for the world in general.

Of course, the requests from Middle Eastern governments are not frivolous. They are based on real fears, and what has happened to Kuwait proves, if proof were needed, that such fears are not fantastic. The rulers of Saudi Arabia and the other Gulf states do not wish to rely indefinitely on foreign forces to protect them. They would prefer to be able to defend themselves.

Yet it is hard to imagine that any level of armament, short of a nuclear weapon, would have secured Kuwait against the kind of attack it experienced on August 2, given the disparity in size and population between it and Iraq. Nor does it seem likely that Saudi Arabia, however many weapons it acquires, will under its present social and political system produce an army large and *highly motivated enough* to hold its own against Iraq, or for that matter Iran.

Political change

The political and social system may change. *In that event* the question is – and it is a question which should not concern Israelis only – against whom would the F-15 fighters be directed? Moreover, vast expenditure on western arms purchases, with the almost inevitable accompanying corruption, can itself help to bring about political change of a sort desired neither by the purchaser nor by the supplier. That is generally thought to have been the case in Iran in the 1970s.

It may seem a bit late for such reflections, when Iraq is *already a regional superpower.* But Iraq acquired that status largely because others believed it necessary to build it up as a bulwark against Iran. Let us beware of making the same mistake twice. At some point the upward spiral has to be *broken and put into reverse.*

Forcible disarmament

The present crisis should be that point. If it comes to war, Iraq will have to be forcibly disarmed and its rearmament kept under very strict surveillance (much easier said than done). If, as must still be the hope, Iraq agrees to withdraw from Kuwait without war, it will no doubt try to demand the withdrawal of western forces from the region as a quid pro quo. The answer should be that those forces are there because of the insecurity caused by Iraq's erratic behaviour, combined with its massive accumulation of weapons, conventional and other. Only if a reasonable degree of mutual trust is established between the states of the region can foreign forces safely be dispensed with, and that in turn requires rigorous arms control agreements, monitored and verified by independent observers.

Perhaps the most difficult of many sticking points in negotiating such agreements would be the necessary inclusion of Israel. Israel hitherto has refused to adhere even to the nuclear non-proliferation treaty, and is understandably reluctant to rely for its *security either on international* guarantees or on the good faith of its neighbours, most of whom remain at least formally at war with it. Yet Israel's policy of maintaining a permanent "qualitative edge" in *weapons technology is not only* becoming more and more expensive but is also showing diminishing returns. If Israel's leaders were really confident that they still enjoyed such an edge over Iraq it seems likely they would by now have struck at Iraq's missile sites, chemical weapon stocks and nuclear research plants – as they did at the Tamuz nuclear reactor in 1981. They would certainly require a lot of convincing that a regional arms control regime was going to be rigorously implemented and verified. But they should now be more willing *than in the past to admit* that if it were, such a regime would be in their interests.

Mr Clarke's middle way

MR KENNETH Clarke, the UK Health Secretary, was quick this week to distance himself from the radical health care reform proposals put forward by the right-wing No Turning Back group of Tory MPs. He rejected the notion that individuals should be obliged to finance non-emergency care through private insurance, pointing out that some chronic conditions are uninsurable. But, by intensifying pressure on hospitals to opt out of health authority control, he took care to preserve his own reputation as a radical reformer.

Mr Clarke's performance was politically deft but many observers may suspect that the Government is attempting to have its cake and eat it. The No Turning Back Group is nothing but honest: it wants to rid the country of socialised medicine and allow private markets and money to determine the allocation of health care resources. The *Government's official position is more* opaque. It wants to break up the old, monolithic National Health Service, introduce competition, yet retain public funding of care and overall direction by the Department of Health. It claims to want, in short, the best of two worlds.

Mr Clarke's compromise is as much the product of politics as social or economic logic. NHS reform had been earmarked as a task for a fourth Thatcher term; but a wave of public protest following funding cuts in 1987 resulted in a hasty ministerial review and last year's white paper. With an election to win ministers shrank from the more radical proposals of right-wing think-tanks and concentrated on the hybrid concept of an "internal market" in which health care contracts would be traded by publicly-financed health authorities. The Government was thus able to reassure critics that health care would remain "free" to consumers.

Opt out

Mr Clarke was initially vague about the number of hospitals which would be expected to become self-governing. The white paper merely said the Government would allow as many institutions to opt out of health authority control as were "willing and able to do so." The suggestion this week that *all* hospitals should aim to achieve self-governing status illustrates the importance *now* attached to opting out as a reform strategy.

The Government argues that the emphasis on opting out is a logical consequence of its determination to raise efficiency by separating the purchase from the provision of health care. It wants health authorities to focus on the assessment of the health care needs of local people and the purchase of appropriate forms of treatment. If authorities also run hospitals, it is argued, they will face conflicts of interest: they will be tempted, for example, unduly to favour their "own" hospitals.

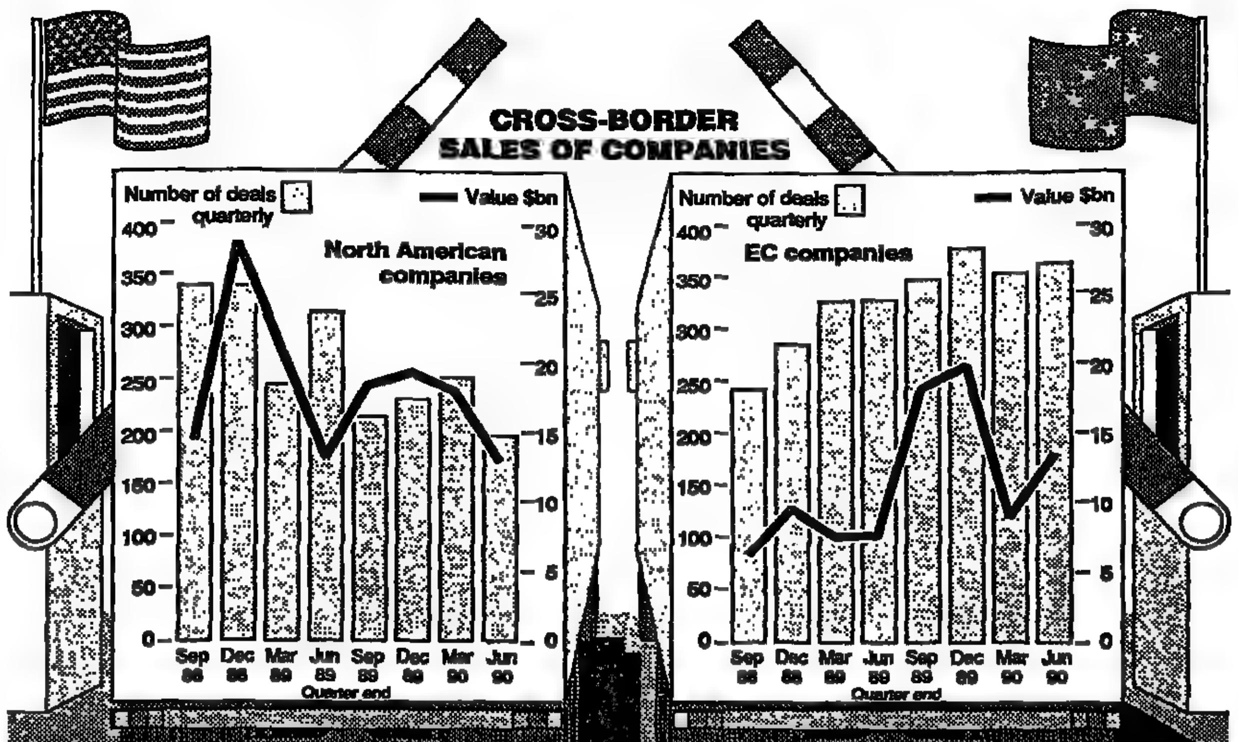
Dividing functions

Some kind of demarcation between purchase and provision is likely to be beneficial *but it is not clear that self-governing* status is essential. In many other spheres, such as the financial markets, the Government is happy to allow institutions to cope with potential conflicts of interest by erecting Chinese walls. There must be a suspicion that ideological considerations are here gaining the upper hand. If all hospitals could be detached from the NHS hierarchy and many doctors persuaded to accept cash budgets, the NHS as presently understood would disappear. It would be a small step for a future government to turn the self-governing hospitals into genuinely private institutions and to encourage individuals to take out private insurance policies with former NHS practitioners.

The challenge in health care is to combine the different strengths of the public and private sectors. US experience illustrates the danger of excessive reliance on a disaggregated market system. If the Government is to achieve the right mix in the UK, it must move slowly and carefully. If opting out proves advantageous in a small number of test cases, it would be logical to extend the principle. But it makes no sense to advocate opting out as a panacea before its consequences can be properly assessed.

Peter Montagnon and Peter Riddell consider the conflict of laws that may result from new EC legislation on cross-border mergers

A delicate case of jurisdictions



The European Merger Control Regulation, which takes effect tomorrow, marks more than just an end to 17 years of wrangling within the Community over a common approach to controlling large conglomerates.

It is also part of a growing international focus on competition policy which has been the natural response of governments to the development of *a world market philosophy among* multinational corporations.

Not only has the liberalisation of capital flows made it easier for such companies to grab market share by investing abroad; size matters more than ever now that technological supremacy with its huge capital cost is the key to staying ahead.

As a result, access to markets is no longer determined just by barriers to trade in physical goods. Rules of fair play in matters of investment and competition have become of first importance at both the national and international level – where they can easily become a source of friction, as the recent US attacks on Japan's minimal anti-trust policies show.

It is into this brave new world that the European Commission steps *tomorrow with its enhanced powers* to control mergers and joint venture activity on a Community-wide basis.

It brings to the task a liberal approach backed up by a regulation that in the words of Sir Leon Brittan, the responsible Commissioner, enshrines competition as "the guiding force of economic life."

Yet behind this simple philosophy lurks a great deal of uncertainty over *how the Commission's new role will* affect member states, such as France, which are used to judging mergers on a broader public interest basis, and over the possibility of clash with outside jurisdictions. These could include both the US – which has a long tradition of anti-trust regulation – and Japan, which does not.

The regulation gives the Commission exclusive powers to vet mergers *involving companies that have a* worldwide turnover of more than Ecu5bn (£3.5bn) and where the aggregate EC turnover of at least two of them is more than Ecu250m. For the next four years, until the regulation is reviewed, smaller mergers will *remain subject to control by member* states, which will also have the right to retain control over sensitive cases involving public security, plurality of the media and prudential supervision in banking and financial services.

Moreover, although the regulation defines the *maintenance of effective* competition as *the* yardstick under which mergers and joint ventures shall be judged, it also includes *reference to other considerations such as* technical and economic progress. Some have seen these caveats as a loophole for the introduction of industrial policy at the European level.

It will take some considerable time before it becomes clear how the regulation *will work in practice,* and therefore how it will be viewed in a global context. Meanwhile, the experience of the US, with a century of tradition in anti-trust policy under the Sherman Act, shows how policy can vary even under the simplest of basic doctrines.

The basis of the US approach is the promotion of competition by declaring illegal every agreement that restrains trade among competing sellers. Implementation, however, has varied greatly. Periods of activism – notably in the 1900s, early 1940s and early 1970s – have been followed by less interventionist periods. The Reagan era was widely seen as an extreme example of the latter. Professor Robert Pitofsky of Georgetown University, says it contained "the most lenient anti-trust policy in 50 years."

Traditional views about the desirability or otherwise of mergers based largely on size and market concentration had begun *to change before 1980* – notably following a Supreme Court ruling that mergers should not be blocked solely because the new company controls a larger market share.

This view was taken much further by the main Reagan era officials running the Justice Department's anti-trust division. They were heavily influenced by criticisms of traditional anti-trust law offered by the so-called *Chicago School*, namely, that free markets apply the right discipline to serve the interests of consumers and what matters is not market share but ease of entry into a market. A classic illustration was the judgment last May of Judge Alex Kozinski in dismissing a case against an owner of cinema chains who bought up most of his competitors. He took the view that even if a firm has a huge market share there is no violation of the Sherman Act if there is no power to exclude competitors.

Implementation of US anti-trust legislation has varied greatly in the course of the century

The Bush era has characteristically been marked by a more pragmatic approach, paying more attention to the spirit of the anti-trust law, though accepting the general shift in thinking that larger mergers do not necessarily impair competition. Mr James Rill, the assistant attorney-general for anti-trust, has accepted the wide-spread call *to extend partial protection* from anti-trust laws to joint production ventures between companies as well as joint research and development projects. This is intended to assist in making US companies more competitive internationally.

But the importance of this shift should not be exaggerated. The law has to be interpreted by the judiciary and judges now favour a limited role *for anti-trust intervention.*

The other constraint – of direct relevance to the EC – is what happens at a state level. In contrast with the non-interventionist approach of the Reagan Justice Department, state authorities have become more active, *issuing their own merger guidelines* and taking on several vertical restraint cases. This has led to increasing conflict, which Mr Rill has sought to defuse by consultation to create a uniform national merger policy. However, the scope for confusion has been increased by a Supreme Court decision last April allowing individual states to contest mergers in the courts, even when they have not been challenged by the Justice Department or the Federal Trade Commission. The EC's jurisdiction based on threshold may avoid some, though not all, of these problems.

Moreover, a number of state legislatures, notably Delaware, Pennsylvania and Massachusetts, have approved laws which impose restrictions on hostile takeovers of local companies by out-of-state groups.

Yet this danger of a multiplicity of state merger and anti-trust policies is now matched by the scope for international conflict. *There are the ever-present* proposals to impose restrictions on foreign takeovers, whether by strengthening the Exon-Florio provisions *for monitoring them,* or by excluding ventures more than 50 per cent owned by foreign companies from the benefits of the proposed extension of anti-trust exemption to joint production ventures.

No decisions have yet been reached but the policy, if implemented, would raise wide questions over the extra-territorial reach of US law since the US might find itself challenging a deal that was perfectly acceptable in the territory where it had originated. As Mr Douglas Rosenthal, former chief of the Foreign Commerce Section of the anti-trust division of the Justice Department in the late 1970s and now a lawyer with Coudert Brothers, has pointed out: "US anti-trust law is not international law. The norms of US anti-trust law are not universally accepted elsewhere in the world."

Pressure on Japan to adopt more formal policies will grow following EC regulation

Mr Rosenthal and Mr Robert Lipstein, also of Coudert Brothers, have highlighted the potential for conflict in, for example, last year's successful anti-trust challenge by Consolidated Gold Fields against the tender offer by the Minorco affiliate of Anglo-American Group, even though *the British, EC and US authorities* had chosen not to intervene. In the end, the whole bid foundered because of the involvement of Newmont Mining of the US, even though it would have been only a relatively small part of the group created by the merger.

Such a problem could occur in reverse under the new European regulation where the Commission could find itself vetting a largely US merger simply because it involved at least two companies with a turnover of more than Ecu250m inside the Community. *According to* Mr John Davies, a lawyer with Freshfields, "there is considerable scope for argument" in this area, although he expects the Commission to be pragmatic.

Commission officials say they do not expect to try to claim authority over the whole deal in such cases, but, if the Consgold/Minorco case is anything to go by, keeping their involvement only to the part which involves the Community could have broader repercussions for some deals, possibly scuppering them altogether.

To help alleviate such problems, Sir Leon Brittan has proposed an EC/US agreement to deal with potential disputes over anti-trust issues, covering information gathering and exchange, a detailed procedure for consultations and even possibly an arbitration clause. The US side prefers a memorandum of understanding rather than an actual treaty, not least because that would involve Senate approval and contentious debate about the scope of US jurisdiction.

This still leaves the question of Japan, where companies have expressed worries in the past that the EC regulation might be used to discriminate against them, not least because it contains a "reciprocity clause" allowing the Commission to seek a mandate to negotiate away restrictions applied to EC companies seeking to acquire businesses in a third country market.

This clause does not, however, provide for sanctions and the current expectation is that it will be used sparingly if at all. On the other hand, the furore in Tokyo provoked earlier this year by Mr T. Boone Pickens with his strategic stake in Koito Manufacturing, a car parts company with links to Toyota, shows just how deep-rooted is the resistance there to the idea of foreign takeovers. At some stage European companies facing similar restrictions are likely to press the Commission hard to invoke the reciprocity clause. Meanwhile, member *states will still be able to cite public* security or prudential supervision as grounds for blocking the Japanese acquisition of European concerns.

Unlike the US government, the Commission is reluctant to force bilateral negotiation with Japan on what are seen as internal issues such as competition policy. None the less, says a spokesman, it has been keen "to get the message across" that a consistent anti-trust policy in Japan is an important element of international co-operation.

The pressure on Japan to adopt more formal policies towards anti-trust is thus likely to grow as a result of the European regulation. Some Japanese officials argue that attitudes to this question within Japan are beginning to change naturally as big banks bring back home the experience they have gained with merger and acquisition business in overseas markets.

Even so, there is little escaping the conclusion that the need for co-operation among governments and harmonisation of rules is likely to grow if anti-trust enforcement is to live up to its efficiency-enhancing claims in increasingly global markets. This applies not just in the industrial world but also in eastern Europe and many developing countries where governments are taking a new look at competition policy as they privatise their previously heavily-protected state monopolies.

Further articles on the EC Merger Control Regime will appear on the foreign pages tomorrow.

OBSERVER

Paying for pollution

■ Can anyone put a price on not emitting a pollutant such as sulphur dioxide, nitrogen oxides, or the so-called "greenhouse gases"?

Britain's nuclear industry hopes to find such a way of convincing politicians that "clean" reactors should earn a credit when compared with the other electricity fuels.

But its top men won't say much about that right now. The reason is that the two new British nuclear utilities have been told firmly not make waves while the government is trying to get the best privatisation sale possible for the fos*sil-fuelled companies* – National Power and PowerGen.

However, prospective investors may care to learn, through this column, that Sweden has made some useful estimates for a pollution tax.

Sweden faces a dilemma in that its political parties have all undertaken to get rid of its 12 nuclear stations by a certain date. But they don't know how to do it at an acceptable economic price.

Carl-Erik Wikdahl, an engineer from Stockholm, in London to talk at the Uranium Institute, has been explaining a new Swedish tax which has been devised to be levied on emissions.

Shorn of all technicalities, if the tax were applied to fossil-fired power generation it would nearly double the cost of electricity to the consumer.

Not, surprisingly, so far the Swedes can only summon *enough courage to levy the* tax on their municipal heating plants.

Gazumped

■ Des Wilson, the veteran campaigner in charge of the Liberal Democrats election strategy had prepared a neat attack on the Tory and Labour leaders for his keynote speech at the party's Blackpool conference.

Labour, according to his prepared text, regarded Margaret Thatcher as their biggest elec*toral asset. The Tories thought* it would be Neil Kinnock who secured them a fourth term. Only the Liberal Democrats regarded their own leader, Paddy Ashdown, as their election winner.

It was the sort of jibe bound to go down well with the delegates. And indeed it did - but not from the lips of Wilson. His deputy, Alec McGiven, grabbed the applause with the same line an hour earlier, leaving his boss no option but to drop it.

There were other signs that the two men are not working in perfect harmony. McGiven told the delegates to stop talking about what the party might do in the event of a hung Parliament. Wilson promptly devoted a chunk of his speech to that very same subject.

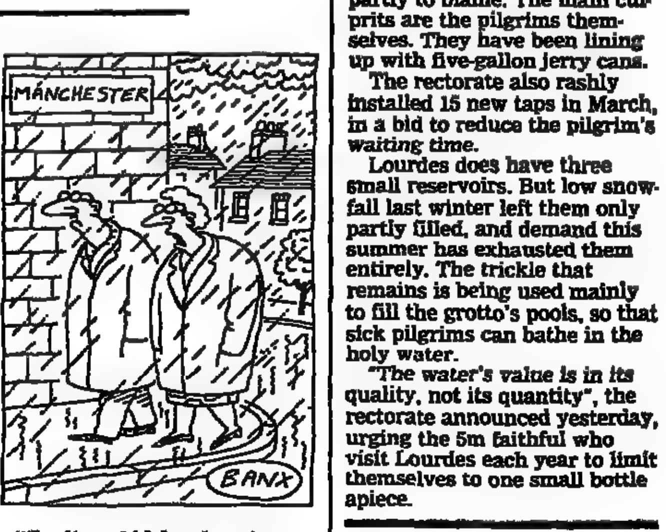
McGiven comes from the SDP, Wilson from the Liberals. It would be uncharitable to *suggest that old tensions are* reasserting themselves.

Boston ways

■ Bruce Johnstone, one of *America's best known money* managers is coming to London, with a brief to expand the $11bn international portfolio managed by Fidelity International, the affiliate of Boston's Fidelity Investments.

Johnstone, aged 49, who has racked up a 1,109 per cent return since taking over the management of Fidelity's $4.5bn Equity-Income Fund in 1972, has been a superstar in the fund management business.

Since the start of this year, however, the fund has fallen by 13.4 per cent. Apparently he wanted a change and Fidelity offered him the London top spot, overseeing a staff of



"Can't we bid for the winter Olympics?"

50 managers and trying to drum up more non-US business.

Colleagues say the New Jersey-born Johnstone is a Harvard man through and through.

Described as an easy-going New Englander, with a strong sense of civic duty and a penchant for conservative Brooks Brothers attire, he plans to spend only three days a week in London.

He will commute back and forth across the Atlantic to be with his family in the leafy Boston suburb of Needham.

Johnstone's goal is to create the same kind of money management environment in London as exists in Boston, where Fidelity manages $117bn of assets in the US.

Holy trickle

■ One of the more unexpected victims of the drought that has hit many parts of France this year is the sanctuary at Lourdes, where the rectorate has had to introduce rationing to eke out the holy water from the spring.

The weather, in fact, is only partly to blame. The main culprits are the pilgrims themselves. They have been lining up with five-gallon jerry cans.

The rectorate also rashly installed 15 new taps in March, in a bid to reduce the pilgrim's *waiting time.*

Lourdes does have three small reservoirs. But low snowfall last winter left them only partly filled, and demand this summer has exhausted them entirely. The trickle that remains is being used mainly to fill the grotto's pools, so that sick pilgrims can bathe in the holy water.

"The *water's value is in its* quality, not its quantity", the rectorate announced yesterday, urging the 5m faithful who visit Lourdes each year to limit themselves to one small bottle apiece.

Numbers game

■ *The European Bank for* Reconstruction and Development, the financial institution which aims to help eastern Europe's ailing economy, is recruiting a team and is in the midst of preparing for the for*mal start of its operations in* March.

It has a temporary office in the City of London and is starting to recruit staff. But perhaps the bank is worried about the flood of calls for *funds which might follow if* it publicised its existence too strongly.

Don't try asking directory inquiries for the bank's phone number. It is ex-directory.

Revalued

■ Fiona Archer, one of the mining team at the Ord Minnett financial services group, comments in her daily report to clients: "*If Melbourne had* won the Olympic Games, perhaps the foreign investor who was recently asked 'What is the capital of Victoria?' would have replied differently.

"His answer was 2 cents".

EBEL
the architects of time

CHRONOGRAPHE
Hübner
AM GRABEN 28 IN WIEN

ECONOMIC VIEWPOINT

Disastrous cures for recession

By Samuel Brittan

"The many column inches in the press which have suggested that the Chancellor should seek to sedate the economy without pushing it into depression, are being misdirected; in the *absence of other policies*, creating a depression – with all its waste of potential output and social injustice – is the only policy likely to be effective in checking the inflationary spiral." This is a quotation from Sir Charles Carter, the president of The Policy Studies Institute.* Or in simpler *terms:* you can't make a omelette without breaking eggs.

Sir Charles's remarks are infinitely preferable to the masses of wishful thinking on both sides of the Atlantic suggesting that our rulers can keep the economy on some desired real growth track by reducing interest rates without inflation spiralling out of control. But they are still not quite on the mark.

The pain from reducing inflation arises from two factors. There are the deficiencies and rigidities of the wage-fixing process, together with the *uncertainties of the messages* sent by government. As a result output and jobs have to suffer before inflation starts to decline. But this pain, like that inflicted by an old-fashioned dentist, is an unpleasant side effect, not part of the cure.

There is another kind of pain *which is due to distorted real* developments during the boom, such as unwise investments by the banks, bloated property speculation and so on. These distortions have to be unwound and would cause discomfort in any case. They are greater in the US than in the UK, where the by-products of disinflation are the most important source of grief.

The US is the country least inclined to stick to a policy of not accommodating inflationary shocks

There is indeed no longer any point in forecasting a British recession, as one has *already begun and looks like* being quite sharp in the remainder of this year and the first few months of next. There could be a pause in the flow of bearish news tomorrow, if the national income figures show a recovery in the rate of growth of real Gross Domestic Product in the second quarter of 1990. But this is to read an out-of-date Bradshaw. The more immediate and forward-looking indicators suggest badly depressed business.

Every day there are reports of lower profits and bad debts. The rates of growth of all varieties of money and credit have come down with a bang. The rise in sterling since the turn of the year – desirable for counter-inflationary reasons – is putting pressure on margins and liquidity.

If a striking recession indicator is required, we only have to look at the unemployment figures, which have been rising *by every-increasing amounts* for five months in succession; and remember that these usually lag behind other data. Construction orders in the last quarter have fallen by double digit percentages.

Nevertheless, I am more worried by the supposed cures for *recession than the recession* itself. It will not be long before political pressures to reduce British interest rates – and certainly to avoid following Japanese or European rates upwards – become irresistible.

Inside the Exchange Rate Mechanism (ERM), the Chan*cellor, Mr John Major, may* have some scope for moderate and carefully timed reductions while staying within the entry band. Outside the ERM it will just look as if he has been panicked into abandoning the fight against inflation; and sterling and inflationary expectations *can be expected to react* accordingly.

But he has very little time before the hotting up of the Middle East gives the Prime Minister an excuse to resurrect her veto – a prospect which the Treasury does not seem to take seriously enough. It is *time, if not to bury the Madrid* conditions, then to transform them beyond recognition. Above all, the Chancellor should stop worrying about backbenchers. They are creatures who respond to a lead, but rarely give one themselves.

The reason why it would be *folly for the Chancellor* to relax very much inside the EMS – or at all outside it – is that the inflation indicators are still pointing upwards. Even excluding poll tax and mortgage interest distortions the August Retail Prices Index was 7.9 per cent higher than a year ago – an increase of 0.9 percentage points on July, of which only a half can be *explained away by oil and* erratic seasonal foodstuffs. The latest rise in oil prices could make the September RPI almost as much of a shock as the August one.

If the inflation constraint throws a spanner into plans for a 1991 election, tough luck. *City economists have no business* to tell the Chancellor that he must cut interest rates now for a 1991 election. An election is not due until the summer of 1992. The politicians can be relied upon to give more than adequate attention to electoral factors, without prompting from commentators who are supposed to tell it like it is.

Meanwhile, the best state*ment about* the correct way *to* react to oil price increases has come *from* the Reserve Bank of New Zealand, in spite of all the political and economic turmoil in that country. The Bank says that a one-off increase in the price level should be allowed. But policy has to be kept suffi*ciently firm* "to prevent *any* resurgence in inflationary expectations or any passing through into higher wages increases" so that the underlying trend to lower inflation persists. By giving notice of its intention of sticking to its policy guidelines the Reserve Bank hopes to reduce the like*lihood of employers and unions* pricing themselves out of jobs and into bankruptcies.

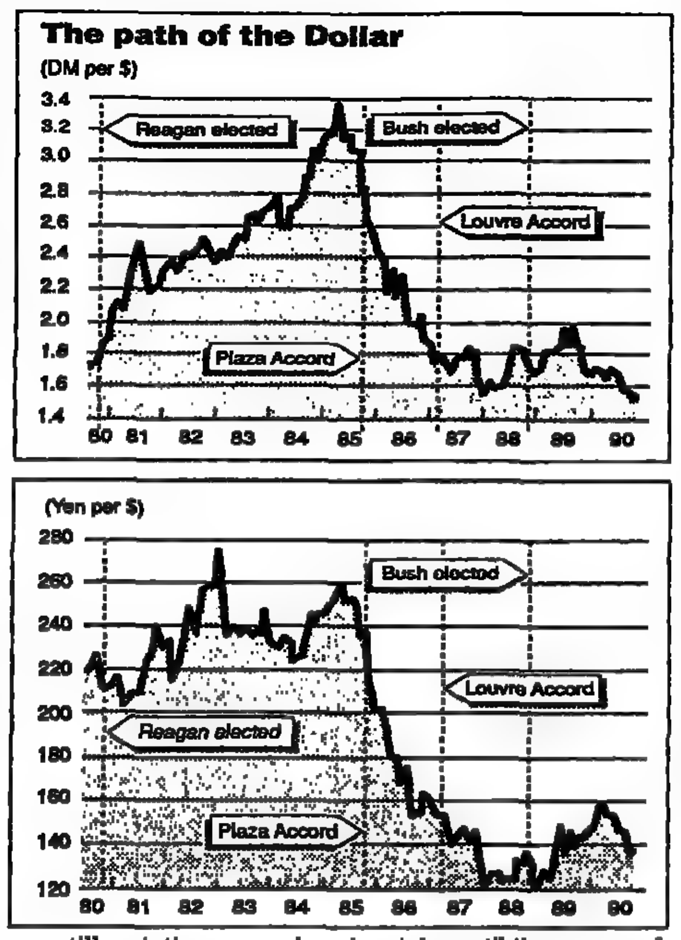
There is another way of putting it. The Group of Seven main industrial countries have by luck or good management managed to keep the growth of nominal demand on an erratic but slightly downward sloping path over the past decade. The vital need is to try to stick to this path and accept that in the next few quarters more of this demand will represent price increases and less real growth than we would like.

The government least inclined to stick to an international policy of not accommodating inflationary shocks is the US. It is the last remaining unreconstructedly Keynesian country of any size, whose rulers have the hubris to suppose that they can maintain real growth quarter after quarter without interruption. This belief is held among the so-called conservative Republicans even more than among Democrats. Those who want to stick to a stable financial framework have long been pushed aside as disciples of an "old-time religion" who no longer know how to win elections for the Republicans; as usual, the politicians are egged on by short-sighted economists.

Worst of all is the doctrine of dollar depreciation as a solution for all problems – which the Fed is less able to resist than domestic stimulation. Many in the US financial policy communities see a lower *dollar as the clue both to* avoiding recession and to tackling the so-called balance of payments problem – even though the dollar has more than halved against the Mark and the yen since 1970, and the decline has been accompanied by rising inflation, budget and *payments deficits and unin*spired productivity.

This is quite apart from the beggar my neighbour aspects which irritate other countries and impede trade negotiations. While the rise in sterling against the D-Mark can be justified on purchasing power par*ity grounds, the rise against* the dollar is inflicting more pain for less good reason. The EC and Japan may have to consider forming their own zone of monetary and price stability, until the US has learned the futility of an ever-falling dollar.

** Policy Studies, Autumn 1990, 100 Park Village East, London NW1 RSR*



BOOK REVIEW

Back in Bennland and the political wilderness

CONFLICTS OF INTEREST: DIARIES 1977-80
By Tony Benn
Hutchinson, £20, 675 pages

Sunday 25 May 1980: "Later I switched on the television and Hamlet was on. I have never seen it before – *what an odd thing to* admit at 55! But like many people I was forced to read it at school and that put me off for a long time. A remarkable play."

We are back in Bennland, that mixture of naïveté, fantasy, innocence and calculation that has been beguiling some of us for years. This is the fourth volume of Tony Benn's Diaries and even addicts will have to admit that it is a bit of a hiatus. The reason is that although still in the Cabinet – he has been demoted to Secretary of State for Energy – Mr Benn has been effectively removed from power. The meetings of the key Cabinet Committees take place without him. Decisions are taken over his head – "I have to read the newspapers," he tells Prime Minister Jim Callaghan, "to know what is happening." And Mr Benn is not yet in the position of seeking to lead an alternative Labour Party. As one of his colleagues remarked at the time, it was the British equivalent of being sent to run a power station in Mongolia.

Yet the times were interesting. Those were the years of a precarious Labour govern*ment, the Lib-Lab Pact*, the pay policy, the botched attempt at devolution, the winter of discontent, furious arguments over direct elections to the European Parliament and the beginnings of the debate about the British role in the European Monetary System. It all ended with the Conservative victory in May 1979, something which the now Lord Callaghan had plainly come to regard as almost inevitable.

Mr Benn writes in the foreword to this volume that "many of the principles and policies of the Labour government ... suggest that 'Thatcherism' had become the philosophy of the British establishment long before Margaret Thatcher became Prime Minister, and had paved the way for the intellectual dominance of right-wing ideas throughout the Eighties."

Leave aside the hazy notion of the establishment, and the conspiracy theory that seems to lie behind much of Benn's thinking. Ignore, too, the way he overlooks the possibility that opinion may have changed because existing policies were seen not to be working and gave too much power to the unions. Mr Benn never had much merit as a thinker. He wanted to give the unions even more power. His virtue lies in recording what happened as he saw it.

He was plainly not much good at running a department. Mr Benn thinks that "if the Cabinet pursued the right policy, permanent secretaries wouldn't matter." The trouble was that the Cabinet was not pursuing the right policy from his point of view, and the officials at the Department of Energy pursued policies of their own in line, he reckons, with the "industrial/political complex". His relations with his Permanent Secretary, Sir Jack Rampton, were practically non-existent. "He is so remote from me that it's very difficult to do more than just nod at him," Mr Benn records. "He's completely given up try*ing to control me; he just pur*sues his own policy unless I stop him."

In one of the spectacular misjudgements in which he specialises, Mr Benn writes: "I yearned for the day when Arthur (Scargill) is President of the NUM." There are other *views not borne out by facts.* For example, he says of the Falklands in 1977: "The plain truth is that if the Argentines wished to attack the Falkland Islands they could easily crush them." He describes Sir Crispin Tickell, Britain's former Permanent Representative at the *United Nations as* "a real deadbeat right-wing Foreign Office man." Sir Crispin is widely credited as the man who helped turn Mrs Thatcher green.

Mr Benn goes to a meeting of small businessmen in his Bristol constituency expecting *them all to be "National Front* people". He admits his surprise when he finds they are not; he is delighted, however, to find that their leader "hates the Common Market and had been Labour all his life." For the record, Mr Benn notes that Prince Charles *looks like a tai*lor's dummy. "I shiver at the thought that that man will one day be King."

Still, it is the diarist's right to be wrong in his judgements. It would be a much more serious matter if he were inaccurate in his descriptions. Here Mr Benn can once again be acquitted. He does not add hindsight, nor attempt to cover his tracks. There are often items which are much more interesting now than they were at the time. For instance, Sir Michael Palliser, then head of the Diplomatic Service, is recorded as saying in 1978 that Britain must come to terms with Europe because Germany will be re-united within 20 years. Sir Michael was out by nearly a decade; most others were out by much more than that.

Here, too, is an interesting snippet from Mr Neil Kinnock in the same year. "He believed that 'Emperor Jim (Callaghan) with his quiet-life policy' was right for the party and that this would be much more comforting than Thatcher's divisiveness. We couldn't defeat right-wing populism, and his recommendations were so modest that they might have emerged from a latter-day Liberal."

There is much, much more. It is just that Mr Benn was going through a rather lonely period. Thus the entire recorded entry for November 29 1977 runs simply: "After lunch Brian Sedgemore *and I* went for a walk round with Dennis Skinner. I have a lot of time for Dennis."

Labour lost the election. These Diaries almost end with Mr Benn planning his search for real power. "I have the freedom now to speak my mind, and this is probably the beginning of the most creative period of my life. I am one of the few ex-ministers who enjoys opposition and I intend to take full advantage of it." There were misjudgements there, too, but for his Diaries he can be forgiven an awful lot. There is more to come.

Malcolm Rutherford

LETTERS

Retention of a British-manned merchant fleet

From Sir Jeffrey Sterling.

Sir, It is a pity that your editorial comment about British Shipping ("Shipping's call for a lifeboat," September 17) was written before the publication of the report of the Joint Government/Shipping Industry Working Party. As a result, you could not have foreseen the central conclusion of that report that "British shipping is a vital national asset."

The working party was drawn from the Department of Transport, the General Council of British Shipping, the Foreign Office, the Ministry of Defence, the Department of Trade and Industry and (as observers) the Treasury, and was jointly chaired by myself and Mr Cecil Parkinson. It was set up to produce an agreed factual account of the position of the British shipping industry domestically and internationally.

Your editorial was based on the premise that we are making a "special plea for state aid." Nothing could be further from the truth. The industry is seeking deregulation and flexibility. Given these, the improved competitiveness of our shipping in world markets will lead to wealth creation for the UK and increased revenues for the Exchequer. We seek an environment in which commercial success will encourage capital investment.

Your editorial's concern with removing the aids given by other governments to their shipping industries simply ignores the real world. The report says that "in an ideal world government support for shipping would be reduced if not eliminated and all markets made open to free and fair competition," but concludes, "the elimination of aid to shipping is unlikely to be achieved in practice in the near future."

The central question for the country and the Government is whether or not we wish to retain a British-flagged and British- manned fleet which can trade profitably in world markets and be available for the defence of the nation. This decision must rest with the Government – it is an important national issue.

The world is a complicated place in which practical people have to do the best they can. I would have hoped to see some recognition of this complexity in your analysis of the shipping industry's position.

Jeffrey Sterling,
President,
General Council of British Shipping,
30-32 St Mary Axe, EC3

Shipping important for the health of maritime-related industries

From Sir Frederic Bolton, Sir Ian Denholm, the Earl of Limerick and others.

Sir, Your editorial comment ("Shipping's call for a lifeboat") casts doubt on the importance of a British shipping industry to London's role as a maritime centre. Matters of this kind are rarely susceptible to proof.

However, it may help your readers to know that, in our informed view, the continued existence of a British shipping industry is of vital importance for the continued health of the many maritime-related industries and activities in the United Kingdom.

Frederic Bolton (president, UK Centre for Maritime Policy Studies), Richard Botwood (director-general, Chartered Institute of Transport), William Cameron (president, Institute of Chartered Shipbrokers), Paul Conlon, (president, Chartered Institute of Transport), Barry Cork, (chairman, British Offshore Supply Vessels Association), Ewan Corlett (chairman, Burness Corlett Group), James Davis (chairman, Marine Society), Jeremy Daniel (chairman, The Standby Ship Operators Association), Ian Denholm (president-designate, Baltic & International Maritime Council), Malcolm Edge (Deputy Master, Trinity House), Bruce Farthing (consultant director, International Association of Dry Cargo Shipowners), Walter Harfield (president, British Marine Equipment Council), Colm Harris (chairman of the International Group of P&I Clubs), Leonard Holder (senior vice-president, The Nautical Institute), John Hutchison (deputy chairman, Lloyd's Register of Shipping), Alec Kazantzis (president, The London Maritime Arbitrators Association), Derek Langham (director-general, The Institute of Export), David Lapthorn (chairman, British Motor Ship Owners Association), Peter Le Cheminant (director-general, General Council of British Shipping), Limerick (chairman, British Invisible Exports Council), Eric Mackie (president, Shipbuilders & Shiprepairers' Association), Marshall Meek (president, The Royal Institution of Naval Architects), Stephen Merrett (senior member of the Council of Lloyd's of London), Raymond Newbury (Master, The Honourable Company of Master Mariners), David Riddle (chairman, British Tugowners Association), Peter Rigby (chairman, Policy & Resources Committee, Corporation of London), Paul Vogt (chairman, The Baltic Exchange), Brian Wheeler (chairman, National Waterways Transport Association)

Crime prevention and the UN stamps

From Ms Margaret Anstee.

Sir, Observer's story on reported anger in the European Parliament over new United Nations crime stamps ("Stamped on," September 14) caused much surprise and some dismay.

The UN Postal Administration has issued a statement expressing regret that one of the six stamps in the new crime prevention series is being viewed by some as anti-Semitic and stresses that it is absurd to assume that this was anyone's intent. The "naïve" caricature of three 19th-century robber barons in top hats carrying off bags of loot which was selected by an international panel was specifically chosen so *that no particular* racial or ethnic group would be identified.

Some might argue that the stamp, clearly depicting 19th-century criminals, is perhaps not the most apposite reminder of the transnational dimensions of crime today. But to deduce that it represents orthodox Jews and is likely to cause offence to millions of Jewish people all over the world entails a great leap of imagination and even misrepresentation.

Indeed, Observer queries whether millions of people anywhere even know that the UN issues postage stamps. In fact, some 50m are sold every year. But my concern is rather whether millions of people are aware, as they should be, that the stamps were issued to *mark the Eighth UN Congress* on the Prevention of Crime and the Treatment of Offenders, held in Havana, Cuba from August 27 to September 7.

This event was attended by 127 member states, many at ministerial level, and adopted by consensus many new and important international instruments, guidelines and model treaties strengthening the international fight against crime. These deal with transnational organised crime, international drug trafficking and money *laundering*, corruption and terrorism as well as matters of direct importance to ordinary people everywhere such as alternatives to imprisonment, prevention and treatment of juvenile delinquency and domestic violence.

Margaret Joan Anstee,
Director-General,
United Nations Office,
Vienna

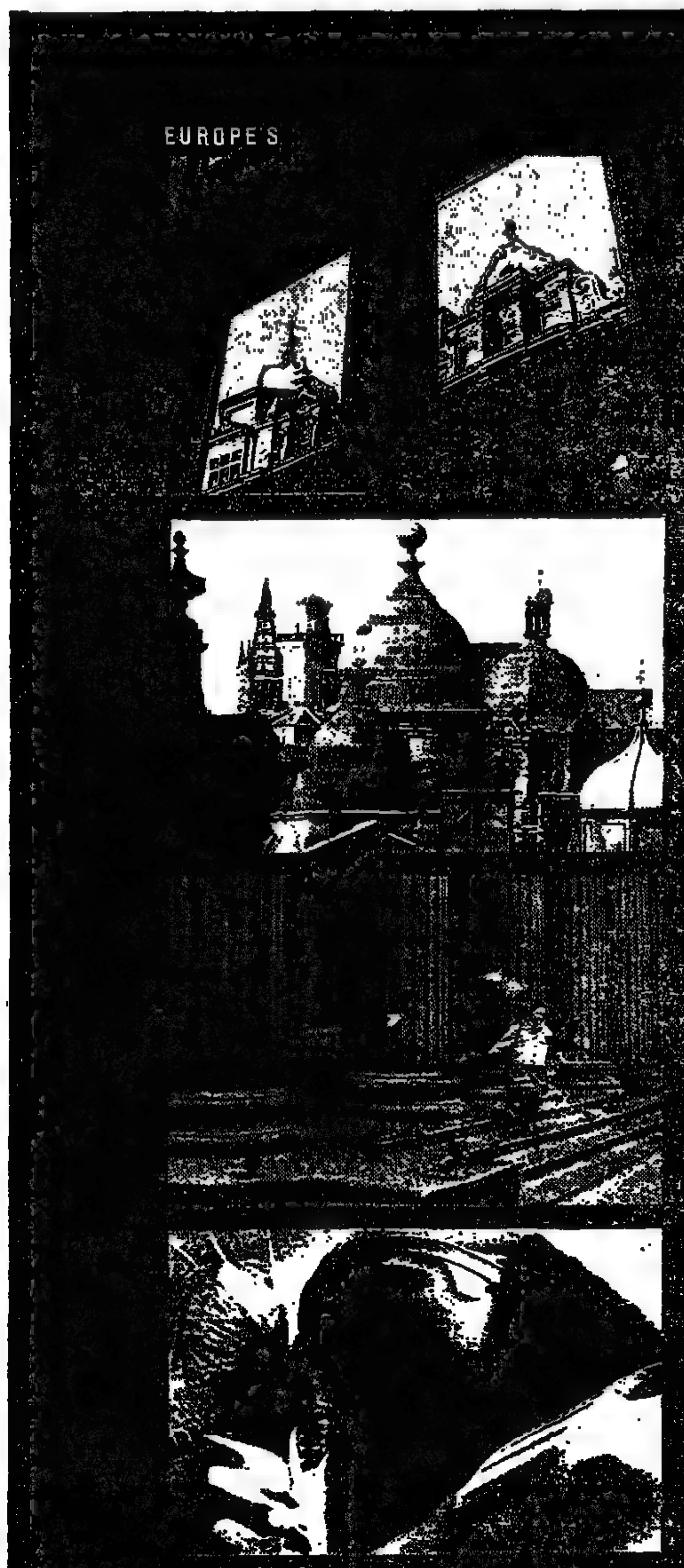
Airline entry

From Mr Patrick Shovelton.

Sir, A vital issue which your editorial comment ("Entry barriers for airlines," September 18) did not mention is the continuing lack of application of Articles 52 *et seq* (Right of Establishment) of the Treaty of Rome to the airline business.

The European Commission and Community members are working on the problem but there seems no early likelihood of a genuine right of establishment in aviation. So British airlines have to enter into minority partnerships with airlines abroad to increase their share of the action; vice versa foreign airlines in Britain. The sooner Chapter 2 of Title III of the treaty becomes a reality in aviation the better.

Patrick Shovelton,
63 London Road,
Tunbridge Wells, Kent



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FINANCIAL TIMES
Thursday September 20 1990

ALLWEATHER
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IRA attack may prompt UK security review

By Jimmy Burns and John Mason in London, Kieran Cooke in Dublin and Ivo Dawnay in Budapest

A WIDE-RANGING overhaul of security safeguards against IRA (Irish Republican Army) attacks on mainland Britain looks likely to be ordered by the UK Government.

The move comes amid indications that an assassination attempt on Tuesday night against Sir Peter Terry, the former Gibraltar Governor, has exposed serious weaknesses in the counter-terrorist operations of Britain's security forces.

Mrs Margaret Thatcher, Britain's Prime Minister, yesterday interrupted an official two-day visit to Hungary to comment on the growing number of IRA attacks on the British mainland.

"The number of things that are happening now makes it important that we look once again to see if there is anything further we can do to step up our security and defence against this guerrilla warfare," she said.

The IRA renewed its mainland campaign, after a three year interlude, in August 1988 with a bomb attack on Inglis barracks postal depot in Mill Hill, north London.

Since then, 351 people have been detained on the British mainland in connection with Northern Ireland terrorism, according to Home Office figures. Of these, only 16 have been charged and the police have failed to break up the IRA cells believed to be at large on the mainland.

Security experts bemoan the fact that IRA operatives have been picked up less as a result of intelligence and organisation than of luck.

Security experts point to the logistical impossibility of protecting the hundreds of buildings and people that the IRA consider as legitimate "soft targets."

However, the Prime Minister said she wanted closer co-operation from the Republic of Ireland in tracking down IRA suspects and their bombs and weapons, although Dublin last night indicated its reluctance to react to this as veiled criticism.

The Government is also likely to consider widening powers of arrest and detention under the prevention of terrorism legislation and organising additional protection for potential targets.

It may also have to look at how the various sections of the security forces can co-ordinate more effectively in intelligence gathering, according to some security experts.

Sir Peter was yesterday recovering in an intensive care unit of Stafford District General Hospital, in the West Midlands, after being hit by automatic fire by an IRA gunman at his home on Tuesday night. On Monday a sergeant was shot outside an Army careers office in Finchley, north London.

Downing Street rejected any suggestion that Mrs Thatcher's references to "guerrillas" amounted to an admission that the UK was fighting a war against the IRA.

The IRA, which yesterday claimed responsibility for the shooting, has long sought such an admission to legitimise their campaign.

Downing Street said Mrs Thatcher was stating only what the IRA believed – that it was acting under the rules of war. The British Government responded to acts of terrorism under the normal law of the land.

However, a Ministry of Defence security adviser suggested that morale in security forces on the mainland was running very low because of the apparent lack of success in curbing the IRA mainland campaign.

"Things are looking extremely gloomy," he said.

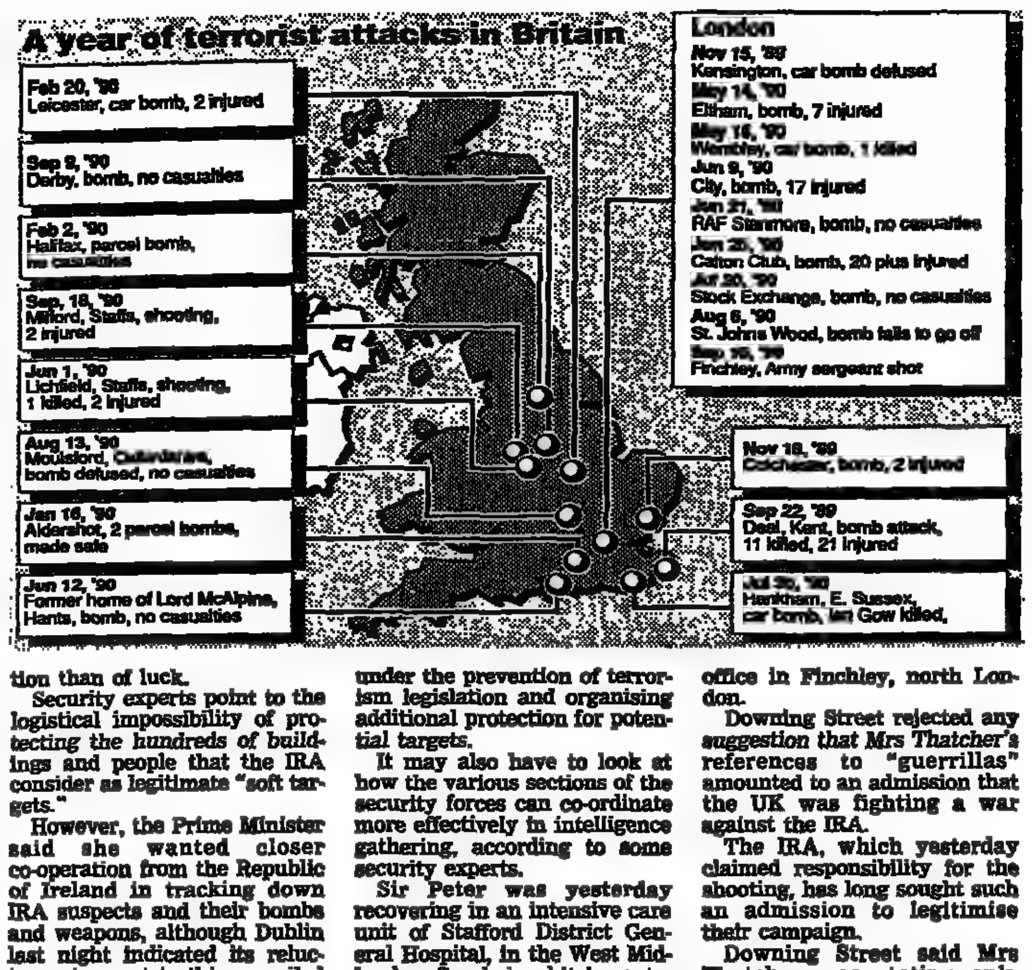
The attack on Sir Peter was the 19th incident involving the IRA on the British mainland since the bomb attack at the Royal Marine School of Music in Deal last September.

Sir Peter's home, where he was shot and wounded, is listed in this year's Who's Who. Despite having been known to the IRA as the man who authorised the SAS killings of three IRA terrorists in Gibraltar in 1988, no special security surrounded his Midlands home.

Sinn Fein, the IRA's political wing, said last night that Tuesday's shooting had "strengthened the IRA's claim that they can and will strike at the heart of the British establishment."

Separately, the IRA issued a characteristic warning that its campaign against military and political targets would continue until British troops had withdrawn from Northern Ireland.

The statement said: "Those responsible for this (British) involvement or for the murderous policies which flow from it must learn that for as long as the British Government persists in its illegal and illogical claim to Ireland they too will pay a heavy price."



Major launches plan to aid debtor nations

By Peter Norman in Port of Spain, Trinidad

MR John Major, the British Chancellor, yesterday announced a four-point plan to ease the debt burden of the poorest, most heavily indebted developing countries.

Addressing the Commonwealth Finance Ministers' meeting, he proposed that creditor countries should double their official debt write-offs and agree more generous rescheduling terms for the debtor nations involved.

The developing countries targeted in the Chancellor's proposals are mainly in sub-Saharan Africa and qualify for existing special debt relief conditions, known as the "Toronto Terms."

These are based on plans put forward by Mr Nigel Lawson, the previous Chancellor, three years ago, which were agreed by the world's leading industrial countries at their 1988 economic summit in Toronto.

Mr Major told the Financial Times that the Toronto Terms had turned out to be insufficient to deal with the debtors' problems. Despite the concessions, countries were experiencing an increased debt overhang and were being discouraged from reforming their economies.

His proposed "Trinidad Terms" could mean that $18.3bn would be cut from the $27.5bn stock of official debt of the 19 countries which already qualify for Toronto Terms. The improved rescheduling proposals would also give the debtor countries cash flow benefits worth about $2.7bn in their first year compared with a normal rescheduling, and benefits of $1.8bn compared with the Toronto Terms.

The potential cost to Britain of the increased debt would be £476m ($881m), the Chancellor said. The cash-flow benefits could cost the Treasury up to £72m in addition.

In detail, the Chancellor proposed that:

● Industrialised creditor nations should in future reduce the burden of rescheduled debt for debtor countries by two-thirds, instead of one-third under the Toronto Terms. This should take the form of a debt write-down, so reducing the debtor countries' interest burden and debt overhang.

● The Paris Club of creditor nations should tackle the total stock of debt of an eligible country when it considers rescheduling its debt. At present the creditors reschedule one tranche at a time, limiting cash flow benefits.

● A debtor's interest payments should be capitalised for the first five years of a rescheduling and debt repayment should be linked to the debtor nation's export capability.

● The repayment period of rescheduling packages where interest rates are cut below market level should be extended to 25 years, from 14 under the Toronto Terms.

Mr Major said the proposed Trinidad Terms would have to be adopted by all the major industrialised countries to take effect.

He said that other poor debtor nations might qualify for the planned relief provided they introduced effective economic reform measures under the auspices of the International Monetary Fund.

Background to the Trinidad Terms, Page 4

Thailand approves BT telephone upgrade bid

By Paul Taylor, Asia Business Correspondent, in Bangkok

BRITISH TELECOM and a Thai partner are to upgrade Thailand's telephone system in a deal worth £3bn ($5.55bn).

The Thai cabinet has approved in principle a Baht150bn contract for BT and Charoen Pokphand Group to provide 3m telephone lines – more than doubling the existing capacity.

The contract is one of the biggest new infrastructure projects in the country and the region. The contract is the country's, and one of the region's, biggest new infrastructure projects. If confirmed, as expected, it would represent a coup for CP Telecom, the Thai-British joint venture formed to bid for the deal.

CP is Thailand's biggest agro-industrial group with sales last year of £1.4bn. The telecommunications contract would mark a further diversification for the rapidly expanding group while it could provide BT with an important regional foothold.

CP won cabinet backing for its bid against two Japanese rivals, Toyo Menka Kaisha and a consortium led by Mitsui, and bids from Alcatel of France and L. M. Ericsson of Sweden. It is expected to be confirmed in about two months after detailed contract negotiations.

In London, BT refused to comment on the contract, saying it had not been finalised and the details of its relations with CP Telecom were commercially confidential.

The bid for phase seven of Thailand's plan to upgrade telecommunications covers installation of 2m lines in Bangkok and a further 1m lines in Thai provinces. Under the terms of the contract, it is understood CP Telecom will pay the Government 16 per cent of revenues from the Bangkok lines and 22 per cent from the provincial lines over the life of the 25-year concession from the Telephone Organisation of Thailand.

The two projects, Bangkok and the provinces, are due for implementation between 1992 and 1996. They will increase the number of telephone lines to 5.5m from 2.5m when phases five and six of the telecommunications plan are finished. At present, there are only about 1.2m telephone lines in Thailand, a serious constraint on the booming economy and source of grievance to the rapidly expanding private sector.

Mr Montree Pongpanitch, Transport and Communications Minister, who backed the CP Telecom bid, was quoted yesterday as saying it was the most complete of the five tenders.

Japanese banks seek fresh loans

Continued from page 1

The life insurance companies are providing the largest chunk of these loans – an estimated Y800bn. The amount being advanced by industrial companies is not known.

Such loans are attractive to lenders because their yields are above the Japanese long-term prime rate of 8.5 per cent.

This is expensive for banks, but bankers feel they have little choice. The 40 per cent plunge in the Japanese stock market has made it virtually impossible for banks to issue new equity – the cheapest way of raising capital.

It has also reduced the value of the banks' unrealised gains on stock holdings, gains which banks are permitted to take into account when calculating their capital under BIS rules. BIS regulations do allow subordinated debt to be regarded as capital.

Even though the BIS rules do not come into force for another 18 months, bankers feel they have to aim to reach the standard now because credit rating agencies are watching their capital positions carefully.

Banks with low capital ratios are being marked down by the credit agencies.

Immediately after the latest plunge in the Japanese stock market – which followed Iraq's invasion of Kuwait – only two or three of the leading 12 commercial banks met the BIS standard of holding capital worth 8 per cent of assets. By the end of this month, a few others will have made the grade.

Action urged to halt decline in British merchant shipping fleet

By Charles Leadbeater, Industrial Editor, in London

A FURTHER decline in the shrunken British-registered merchant shipping fleet is in prospect unless action is taken to arrest its long-term decline, according to an unprecedented joint report issued yesterday by the industry and the Department of Transport.

The report warns that the level of investment in the UK-registered fleet, which is about a tenth of its size a decade ago, will not even maintain the fleet's reduced capacity.

The report is one of the few cases in recent years in which a government department has publicly worked with an industry to examine the outlook for its sector. It was produced by a joint working party involving the General Council of British Shipping, the Department of Transport and five other government departments.

Despite the joint approach to develop a consensus on the industry's prospects, Mr Cecil Parkinson, Transport Secretary, rejected suggestions that it represented a partial return to the corporatist style industrial policies the Government had consistently criticised and said the Government's role in any strategy for revival would be strictly limited.

Although the report highlights the government subsidies widely available to shipowners in other European states, it makes no mention of the industry's main demand for tax relief to encourage investment in new ships.

Sir Jeffrey Sterling, chairman of Peninsular & Orient Steam Navigation and president of the General Council of British Shipping, will shortly present Mr John Major, the Chancellor of the Exchequer, with the industry's case for tax concessions.

The joint approach between the industry and the department is largely the result of Sir Jeffrey's determination and political connections among the higher echelons of the Government.

The report recommends a wide-ranging set of measures, including an extensive programme to improve training, which would involve the industry setting annual training targets, the streamlining of registration procedures and greater flexibility in UK regulations to make Britain more attractive for shipping investment.

Without such measures, the British-based industry will not be able to take advantage of a forecast upturn in demand for shipping in the next decade. The report suggests that worldwide about 300m deadweight tonnes of shipping, worth $200bn, will need to be replaced in the next decade.

The UK-registered fleet amounts to just 4.5m tonnes, after a decade in which many UK shipowners registered vessels under foreign flags to employ low wage crews from developing countries, eastern Europe and China.

Still waters run deep, Page 10; Letters, Page 15

Pöhl remarks on inflation upset pound

Continued from Page 1

Pöhl appeared to refer more to the long-term goal of complete European monetary union rather than the EMS. However, the EMS is a stage the Bundesbank has said that all EC states would have to pass through on the road to EMU.

After Mr Pöhl's comments, the pound fell quickly in London and failed to recover. It closed at $1.8850 against the dollar and against the German currency dropped by more than 1 pfennig to DM2.9550.

Elaborating on his comments about European Monetary Union, Mr Pöhl said that the Bundesbank had sent a letter to Chancellor Helmut Kohl and other ministers last week setting out the bank's conditions on the question.

In a paper setting out its arguments, the Bundesbank referred to the success of the European Monetary System in combatting inflation among EMS member countries.

But it added: "Throughout the EC, however, deep-seated divergences still remain, and in part are actually widening again."

These were reflected in costs, prices, budget deficits, and massive external imbalances. These divergences were especially pronounced in the case of Britain, Portugal, and Greece.

THE LEX COLUMN

Housebuilding pays no dividends

If any well known UK company needed an excuse to cut its dividend, Barratt Developments, the biggest of the pure housebuilders, had one. Full year pre-tax profits have fallen by 61 per cent to £30.2m and look like falling another £10m in the current year. Net debt is up sharply, interest cover has collapsed and, even after the one third cut in the dividend, the company may well have to dip into reserves if it wants to maintain the payout at the lower level.

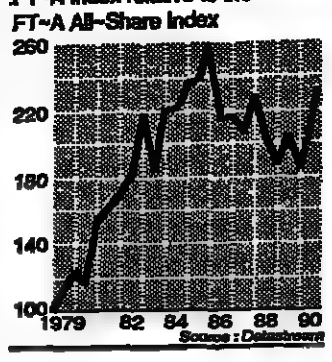
Nevertheless, it would be wrong to underestimate the shock of this move. Yesterday's sharp falls in the prices of other exposed companies, like Norcros and Crest Nicholson, reflect an understandable fear that others might pluck up courage and follow Barratt's example. It would not be before time if they did; but to maintain the confidence of the City, they would have to make a better case than Barratt has done. There is no doubt that Barratt's two major housebuilding markets, the UK and California, are in a terrible state and worsening. What is not clear is why Barratt feels it has to stretch its balance sheet by continuing to build at its current rate.

The £20m of extra costs needed to maintain last year's sales comfortably exceeded the annual dividend, and there seems little reason why it will not be repeated this year. By contrast, less ambitious companies have long since battened down the hatches and have been able to reduce their borrowings rather than their dividends. The company would also have been far better advised to conserve its cash at home rather than gamble it on the fickle Californian housing market. The £8m dividend saving may please Barratt's nervous bankers, but shareholders have seen the value of their company drop by £25m. The company doubtless assumes that it will not be needing a rights issue in the near future.

Tesco

The charts say one thing, the fundamentals another. Tesco's shares, like Sainsbury's, have outrun the stock market so briskly since last winter that in usual circumstances a correction would be looking badly overdue. But times are scarcely normal. UK food retailers have no oil price or currency exposure, their superstore investment programmes are paying off and in absolute terms Tesco's shares have gone up only 16 per cent since January.

Food Retailing
FT-A Index relative to the FT-A All-Share Index



Even on a 3 per cent prospective yield, after yesterday's strong interim profits of £173m, it is hard to see Tesco disappointing in the near term.

The difficulty still is to calculate how long it can keep pre-tax profits growth at the 25 per cent compound rate achieved since 1985. Tesco's own confidence is understandable, given the first half rise in operating margins from 5.4 to 5.8 per cent and the cash flow benefits from an £80m drop in working capital this year. While Tesco can keep the efficiency coming, from building new and larger stores, streamlining distribution and putting in retail technology, this will continue; and since at present Tesco is still 200 sites away from what it reckons would be market saturation, this is not an unreasonable expectation. And though Tesco is gobbling up cash now, with a £951m capital budget this year, as the development programme slows down cash should flow in strongly.

Yesterday's figures also provoke thoughts on property. Tesco has been selling and leasing back £20m superstores in southern England on yields of 8 per cent, while prime shop yields now are 6 per cent. In these markets, retail properties are only for expert long-term investors; but one can see why some might venture back in.

Wiggins Teape

Wiggins Teape Appleton's announcement that it is looking to sell its 48 per cent stake in a Portuguese pulp mill seems rather an abrupt change of policy from a company which had talked so much of the joys of integration. But there is an obvious temptation to sell an asset standing on the books at £84m – having cost about half that in actual expenditure – for perhaps £150m. That would leave Wiggins Teape with zero gearing to look around for acquisitions, to say nothing of a probable boost to this year's earnings per share.

It might seem odd to sell towards the low point of the pulp cycle. But any trade buyer – Scandinavian, perhaps – will be used to planning investment through the cycle as a whole. More awkward is the fact that Wiggins Teape, while talking of moving away from commodity grades of paper, still turns out large quantities of a yet more basic commodity, eucalyptus pulp, at its wholly-owned mill in Spain. It is natural that a company emerging from the far-flung BAT empire should take a little while to establish its rationale. But it must not be surprised if the market casts a critical eye over future acquisitions.

Sterling

While it was natural for sterling to dip yesterday in response to Mr Pöhl's bluntness, the reaction should not be overdone. His remark that a currency with three times Germany's inflation rate cannot live with the D-mark may simply have been a re-statement of the obvious. The ERM was never a mechanism for tackling double-digit inflation. For sterling to be in a position to join, inflation must already be coming down through other means. If the recessionary picture given by the latest company results is a guide, this will soon be happening. If not, the ERM is irrelevant. For the currency markets, none of this should be new. For equities, it should be a salutary reminder of how misguided it was back in the spring to look to the ERM as a painless panacea.

Thorn EMI

At first sight, the sale of Thorn EMI's consumer credit business to NatWest suggests that there really are hidden treasures tucked away inside the company. However, strip away the borrowings and the net benefit is probably less than £20m. Then again, given the well-publicised difficulties Thorn EMI has had in disposing of its non-core businesses recently, the fact that it has been able to sell anything at all in today's climate must be a plus. Given NatWest's obvious financial strength the sale makes commercial sense; but it suggests once again that Rumbelow's position in the group is pretty marginal.

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WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	25	77
Algiers	S	32	91
Amsterdam	C	13	55
Athens	F	27	82
Bahrain	–	–	–
Bangkok	F	33	91
Barcelona	S	25	77
Beirut	–	–	–
Belfast	C	12	54
Belgrade	F	17	64
Berlin	C	17	63
Biarritz	[illegible]	25	77
Bombay	F	28	84
Bordeaux	S	27	81
Boulogne	–	–	–
Brussels	F	19	57
Budapest	F	17	64
Buenos Aires	C	13	57
Cairo	S	31	88
Cape Town	S	18	64
Caracas	C	28	84
Casablanca	F	25	77
Chicago	C	13	55
Cologne	[illegible]	17	63
Copenhagen	[illegible]	16	61
Corfu	S	26	79
Dallas	S	22	72
Dublin	F	12	55
Dubrovnik	S	23	75
Edinburgh	F	11	52
Faro	S	25	77
Florence	S	25	77
Frankfurt	F	20	68
Geneva	S	22	73
Gibraltar	C	25	77
Glasgow	R	7	46
Helsinki	S	11	52
Hong Kong	–	–	–
Innsbruck	S	[illegible]	66
Inverness	R	8	[illegible]
Islamabad	C	27	82
Istanbul	Dr	15	59
Jakarta	F	32	81
Jersey	C	16	61
Johannesburg	F	16	61
Lima	C	19	66
Lisbon	S	23	75
London	F	16	61
Los Angeles	C	[illegible]	[illegible]
Luxembourg	F	17	63
Madeira	–	–	–
Madrid	S	27	81
Majorca	F	27	82
Malaga	F	26	79
Malta	S	27	82
Manchester	C	12	54
Manila	C	[illegible]	[illegible]
Melbourne	S	19	66
Mexico City	C	22	72
Miami	F	27	81
Milan	F	21	70
Montreal	S	7	45
Moscow	R	10	50
Munich	C	12	55
Nairobi	F	27	82
Naples	F	26	79
Nassau	C	31	88
New Delhi	F	31	88
New York	S	[illegible]	[illegible]
Nice	S	23	75
Nicosia	–	–	–
Oporto	S	[illegible]	[illegible]
Oslo	C	15	59
Paris	F	21	70
Peking	S	22	72
Prague	C	13	57
Reykjavik	Sn	1	34
Rhodes	S	[illegible]	[illegible]
Rio de Janeiro	F	[illegible]	64
Rome	S	23	75
Salzburg	S	17	64
San Francisco	C	16	61
Seoul	S	25	77
Singapore	–	–	–
Stockholm	R	10	50
Strasbourg	S	22	73
Sydney	S	20	68
Taipei	C	30	86
Tangier	F	27	81
Tel Aviv	S	27	81
Tenerife	S	25	77
Tokyo	F	30	86
Toronto	C	11	52
Tunis	S	30	86
Valencia	F	27	82
Venice	F	22	72
Vienna	C	17	63
Warsaw	C	15	59
Washington	R	13	57
Zurich	S	20	68

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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INSIDE

Wiggins Teape yields to Lisbon rumour mill

Wiggins Teape Appleton has come clean. Rumours that the UK paper group was considering the sale of its interest in a Portuguese pulp mill forced it to announce that preliminary discussions were under way. Stephen Walls (left), Wiggins Teape chairman, said the sale "would give us the opportunity to reconfigure our portfolio of businesses." Some analysts are suggesting, however, that the proposed move would represent a reversal of Wiggins Teape strategy. John Thornhill reports. Page 24

No future for rivalry

Chicago's two main futures exchanges have ended more than a century of rivalry and agreed to form a joint committee to address common goals and competitive challenges. The Chicago Board of Trade and the Chicago Mercantile Exchange have approved the creation of a standing joint committee to examine ways to achieve cost savings and increased efficiencies. Barbara Durr reports. Page 22

Sasol riding high

Sasol has had its fair share of windfalls. The most recent, the world oil crisis sparked by the Gulf crisis, has decidely bullish implications for the South African oil producer. Howver, the group is anxious not to overreact to what might be nothing more than a temporary blip. "We can't base our future on the assumption that we're going to see runaway oil prices," says one top executive. Philip Gawith reports. Page 20

Watery harvest in the Highlands

Believe it or not, salmon farming in Scotland is little more than 10 years old. But during that decade these fish have become big business. In 1980 some 600 tonnes of fish were harvested. By last year the harvest had reached 28,500 tonnes at £4,000 ($7,640) a tonne. David Blackwell looks at an industry which has brought much needed jobs to the Highlands and Islands. Page 27

Milk shake-up

A new era dawns at Unigate, the UK dairy products and distribution group, with the appointment of Ross Buckland (left) as chief executive. Unigate watchers in London expect the appointment to lift the company from the earnings plateau where it has been stranded since 1987. Buckland, previously head of European operations for Kellogg, begins his new job with a whistle stop tour of 42 company facilities in October alone. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Falls			
Aachener Muench	696	–	18
Beiersdorf	735	–	40
Bilfinger & Ber	840	–	40
Douglas Hldgs	782	–	24
Goldschmidt	645	–	20
PWA	210	–	18

NEW YORK ($)

Rises			
JWP	22¼	+	2⅛
Waste Manage	34¾	+	⅝
Falls			
Corroon & Black	35⅛	–	⅞
Merck	78⅝	–	3⅞
Pitney Bowes	30½	–	¾
Primerica	21⅜	–	1¾

New York Prices at 12.30pm.

PARIS (FFr)

Falls			
BNP (Cert Inv.)	313.8	–	23.4
Cred Lyonn (ci)	640	–	20
Epeda-Bertrand	900	–	[illegible]
[illegible]	577	–	28
Poliet	410	–	27.5
Radiotech	420	–	28

TOKYO (Yen)

Rises			
Ahresty	2500	+	320
Calsonic	[illegible]	+	75
Matsuzakaya	4250	+	450
Falls			
Chugai Pharm	1120	–	120
Mitsui Wharf	1490	–	120
Tokyo Elec	[illegible]	–	67

LONDON (Pence)

Rises			
Argyll Grp	239	+	4
Bass	1007	+	16
Brit Aero	549	+	8
Davis & Newman	240	+	5
Hawker Siddeley	414	+	6
Lon.Forfaiting	75	+	8
Micro Focus	798	+	10
Smithkline Bee	541	+	5
Sycamore	30	+	13
Unilever	609	+	8
Wiggins Teape	160	+	4
Willis Faber	210	+	9

Falls			
Barratt Dev.	206	–	14
Brit Telecom	270	–	6
Cookson Grp	90	–	6
Cable & Wire	434	–	5
Crest Nichol	68	–	13
ECC	310	–	10
Eurotunnel	403	–	5
Foseco	188	–	11
Higgs & Hill	267	–	13
MB Group	140	–	4
Saatchi	35	–	5
TI Group	388	–	17

Daimler and Mitsubishi unveil 11 joint ventures

By Stefan Wagstyl in Tokyo

DAIMLER-BENZ, the West German industrial combine, and companies in the Mitsubishi grouping, Japan's largest corporate family, yesterday unveiled plans for 11 actual and potential joint projects.

The schemes, announced after a top-level meeting between the two sides in Tokyo, are the first fruits of wide-ranging strategic discussions which the companies embarked upon six months ago.

The groups intend to keep talking and to hold another board-level meeting next spring.

Only one of the 11 proposals commits the West German and the Japanese partners to immediate action.

This is the proposal which concerns the establishment of a jointly-owned sales company for Mercedes-Benz cars in Japan, to be called Mercedes-Benz Sales Japan. Mercedes-Benz, Daimler's auto company, will own 51 per cent and Mitsubishi Motors, the vehicle maker belonging to the Mitsubishi group, will have 24.5 per cent.

The remaining 24.5 per cent will be held by Yanase, Mercedes-Benz's long-standing Japanese agent.

Even this scheme is not entirely new, since Mitsubishi Motors was co-operating in the sales of Mercedes-Benz vehicles in Japan even before the two sides held their inaugural top-level talks in Singapore earlier this year.

Among other schemes under discussion in the automotive field is a plan for joint research into the improved disposal of scrap cars.

Another project in prospect concerns the possible design, development and production of an all-terrain passenger vehicle for the Japanese market based on Mercedes' Gelände Wagen model.

There is also a tentative plan for Mitsubishi companies to co-operate in the construction of a car factory in the Soviet Union which Mercedes-Benz has discussed with the country's authorities for several years.

The partners are considering collaboration in electricals and electronics, including the production of semiconductors, common sourcing of parts for railway systems, and the introduction into Europe of Japanese refrigerator designs. They are also studying the possibility of expanding the exchange of personnel and of information in aerospace, including the production of medium-sized passenger jets.

Mr Edzard Reuter, the Daimler-Benz chairman, said that the effort expended by the two sides in getting to know each other had been "greater than I had expected."

Edzard Reuter: the effort expended by both sides has been greater than expected

CMB profits fall 2% at interim stage

By Maggie Urry in London

HALF-YEAR figures from CMB Packaging, the European packaging group formed through the merger last year of Carnaud of France and Metalbox Packaging of the UK, reawakened fears that the merger has so far failed to fulfil the initial hopes for it.

CMB denied rumours of further top-level boardroom departures, following changes announced in June. But management changes have been made at three poorly performing divisions.

The figures for the six months to the end of June showed a 2 per cent fall at the pre-tax level to FFr754m ($145m) compared to a pro-forma figure of FFr770m and a reported number of FFr649m, which was based on six months from Carnaud and three months from Metalbox.

Turnover was down 2 per cent to FFr11.6bn but this was affected by the sale of the group's steel business. The packaging activities showed a sales gain of just under 1 per cent against the pro-forma figures.

Operating profits from packaging were ahead by 8 per cent to FFr996m, with steel making a final contribution of FFr114m. Mr Robert van den Heuvel, finance director, said acquisitions had contributed about 4 or 5 per cent of the 8 per cent gain but there were also some benefits from the merger coming through. The figures had also been adversely affected by exchange rate movements.

Finance charges were higher at FFr356m (FFr290m pro forma), which Mr van den Heuvel described as disappointing. He said the group needed to exert tighter control on working capital. The tax rate was also up, leaving the net profit at FFr435m, against the pro-forma figure of FFr452m. This outcome was well below analysts forecasts of FFr525m or more.

There was an extraordinary gain of FFr460m on the sale of the steel business in the first half of this year. Excluding that gain, fully-diluted earnings per share fell from FFr5.8 to FFr5.5.

A good sales performance was seen in beverage packaging, up 30 per cent, but food can sales rose only 1 per cent, in line with the market. Results were down in three areas, health and beauty packaging, Spain and Portugal, and the Asia Pacific area. Top level management changes had been made in all three divisions.

The results were published after the market closed, but CMB's shares, quoted in London and Paris, have halved in sterling terms this year from £25 to £12.25p, unchanged yesterday.

The news has implications for MB Group, the UK building products and cheque printing company which was Metalbox Packaging's parent and which has a 26 per cent stake in CMB. In MB's last results CMB contributed about half of trading profits. MB reports interim figures today and last night analysts were cutting profit forecasts. MB valued its stake in CMB at £300m in its last balance sheet but it is now worth £250m. MB shares fell 4p to 140p yesterday, before the CMB results.

Air France declares economies to weather market difficulties

By George Graham in Paris

AIR FRANCE, the French national airline, is to launch a new economy drive and spending freeze to cope with the difficult market conditions.

The group estimates that losses in the first six months of this year totalled FFr170m ($32.7m) at Air France alone.

Consolidated results, including its new subsidiaries Air Inter, the main French domestic air carrier, and UTA, will not be known until October.

Air France had already announced in June a plan to trim expenses by FFr175m, but it now estimates that soaring fuel and insurance costs would take it at least FFr1bn over budget in a full year. Air France calculates that it will not be able to pass this on through higher ticket prices.

The new economy drive involves a freeze on all ground investments scheduled for 1990 but not already begun; the cancellation of all building and computer investments which are not absolutely essential; a transfer of head office staff to operational divisions; and a suspension of new recruitment, except for certain high priority areas such as navigation.

Although aircraft purchase programmes are to be maintained, Air France says that it will cut its charter programme, including a Boeing 747 currently chartered from Lionair, and will decide soon whether to maintain some of the loss-making routes which show no short-term prospects of breaking even.

Consultants are to be called in to advise on how to improve the group's organisation, structures and cost base.

The French airline said that, like other airlines, it had suffered rising costs in the first half, accentuated by the weakness of a number of currencies such as the yen.

The airline was particularly hurt, however, by a 7 per cent decline in its passenger traffic to the West Indies – which accounts for 18 per cent of its traffic – because of the devastation of Guadelupe by cyclone Hugo as well as increased competition from other airlines.

Algeria, which accounts for 4 per cent of Air France's traffic, saw a 21 per cent decline as a result of visa and customs problems.

The North Atlantic (accounting for 18 per cent of its traffic) stagnated in the face of fierce competition from US airlines, but picked up strongly in June, July and August.

The Gulf crisis was now adding to the difficulties, the company said.

Foreign investors eye Sabena, Page 18

UK food retailer jumps 28% in first half

By John Thornhill in London

TESCO, the UK food retailer, yesterday announced a record 28 per cent gain in interim pre-tax profits, a rise helped by a wide-ranging store development programme and solid underlying volume growth.

Sir Ian MacLaurin, chairman, said: "We are obviously pleased with our performance in the first half. Our food business continues to be resilient."

The City of London, however, marked Tesco's shares down 3p to 229p, although they had risen strongly in recent days.

Mr Philip Dorgan, food retailing analyst at Goldman Sachs, said: "I think the market took the view that the results were better than expected, except the market expected them to be better than expected."

In the 24 weeks to August 11, Tesco's taxable profits – excluding gains from property disposals – rose from £135.3m ($258.5m) to £172.8m on sales 19 per cent higher at £2.81bn (£2.36bn). Of this sales increase, 9 per cent came from existing stores and 10 per cent was generated from new selling area. Five new stores and two extensions were added during the period. Tesco is planning to open a further 18 stores in the second half.

Capital expenditure amounted to £361m in the first six months and is expected to approach £950m for the full year.

Tesco, along with the other big food retailers, has been accelerating its development programme over the past few years. Last year, J Sainsbury, Tesco and Safeway spent more than £1bn between them building new super stores where economies of scale are greater and margins fatter.

But Tesco also closed three small stores in the half year. The surplus on the sale of properties amounted to £15.1m compared with £3.4m in the previous period.

Tesco's like-for-like sales growth during the half year was 9 per cent. Price inflation accounted for 7 per cent of this rise, leaving an underlying volume growth of 2 per cent.

Lex, Page 16; Details, Page 28

Aon fights on over the Willis bid for Corroon

Richard Lapper and **Nikki Tait** report on the options

The battle for control of Corroon & Black, the fourth biggest insurance broker in the US, is growing in intensity.

On Wednesday, Corroon's directors rejected last week's unexpected merger proposal from Aon Corporation, the US insurer. Instead, they reaffirmed their original agreement with Willis Faber, the London brokers.

That decision was expected. But Aon's chairman, Mr Patrick Ryan, has given notice that he is not prepared to accept it as final.

Next Friday, an extraordinary general meeting of Corroon shareholders is due. Before last week's approach by Aon, it had been expected to rubber-stamp the original Willis Corroon merger. Mr Ryan will now be considering ways to disrupt that process.

In his original letter to Mr Richard Miller, Corroon's chairman, Mr Ryan made it clear that he would not pursue the initial approach if it was opposed by the Corroon board. He repeated that position yesterday.

There are practical reasons for such an approach. By alienating the staff of the target company, a hostile takeover can undermine the prospects of a freshly merged brokerage. As one leading London broker put it: "In insurance broking your most valuable assets can just walk out and go down the elevator."

That is just what happened after Willis Faber's own takeover of the UK broker Stewart Wrightson in 1987. A number of Stewart Wrightson brokers left soon after the merger – some of them to join Nicholson Chamberlain Colls, the London brokerage in which Aon's brokerage operation, Rollins Burdick Hunter, has a 40 per cent stake.

Judging from the tone of a statement issued soon after the Corroon board's decision on Wednesday, Mr Ryan does not intend to back off, however. Attacking the board's decision in sweeping terms, he said that a combination of Corroon and Aon "remains a terrific idea, and Aon's proposal remains on the table and is not being withdrawn."

At the very least therefore, Mr Ryan will continue with his informal approach. Short of converting his offer into a formal hostile bid – and yesterday he was strongly playing down that possibility – Aon's chairman has two other options.

Patrick Ryan: will now consider ways to disrupt the deal

● Despite the lack of time, Mr Ryan could seek to persuade a majority of Corroon shareholders to vote down the Willis merger next week in a proxy action. Its chances of success would, however, be limited.

At least one fund manager invested in Corroon – who makes no secret of his preference for a $40 a share cash offer – notes that any decision in a proxy battle would have to bear in mind what was actually on the table. "I think it might be difficult for shareholders to vote down the Willis deal if that the only formal offer," he suggests.

● Mr Ryan could try to use legal pressure to push Corroon's directors into reconsidering – and then opting for – Aon's higher cash offer, on the grounds of their fiduciary responsibility to their shareholders.

Legal action by Aon would not be unusual. A class action lawsuit over the Willis offer was already pending even before Aon's arrival on the scene.

But Mr Ryan's prospects of succeeding in a lawsuit are questionable. Because Corroon is incorporated in Delaware, a partial precedent would be provided by the lawsuits surrounding the merger between Time and Warner, fought out in the state's courts a year ago. Time was bidding for Warner in an agreed merger, when the former received a bid from Paramount, which it rejected. Ruling in support of Time's decision, the Delaware courts concluded that: "Directors, not shareholders, are charged with the duty to manage the firm."

"It's now a very grey area," comments one New York lawyer, cautiously, when asked about Aon's chances on the legal front. "I really don't see any point in Aon taking it to court," remarks a leading New York analyst, rather more bluntly.

None the less, despite yesterday's $1¼ fall in Corroon's share price to $34¾, the one option which few Wall Street players seemed to be entertaining seriously was that Aon might now back off. Aon, runs the thinking, would hardly have clambered into the action, only to back off with some unnecessary costs to its name. "Let's put it this way," remarked Joan Zief at Merrill Lynch, "I can't believe the case is closed – although stranger things have happened."

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INTERNATIONAL COMPANIES AND FINANCE

Saxony PM backs Pirelli merger with Continental

By Andrew Fisher in Frankfurt

PIRELLI of Italy's plan to merge its tyre activities with those of Continental of West Germany yesterday received broad acceptance from Mr Gerhard Schröder, the Social Democrat Prime Minister of Lower Saxony, the state in which the German company is based.

However, after a meeting with Mr Leopoldo Pirelli, the chairman of the Italian company, and Mr Gerd Silber-Bonz, head of its German subsidiary, he said it was important that there should be no job losses among the 10,000 Continental employees in the region and that the management of the German company should stay in Hanover.

Pirelli has proposed that both companies' tyre activities be merged, with the Italian company taking majority control.

Pirelli already owns 5 per cent of Continental's shares and has said that a majority of shareholders backs its plan.

Mr Schröder said the issue was not whether a merger made sense, but how it would be effected. He said he found the Pirelli plan convincing. The chances of survival for both companies were worse if they remained separate than if they combined, he said.

Mr Horst Urban, Continental chief executive, was not at the meeting, nor did the Pirelli executives visit Continental while in Hanover to see Mr Schröder and Mr Peter Fischer, the state Economics Minister.

The company denied that Mr Urban's absence or the fact that Mr Pirelli and Mr Silber-Bonz did not also visit the company reflected a coolness between the two sides. Continental said that Mr Urban had seen Mr Schröder on Tuesday and thus had no reason to be at yesterday's meeting. Moreover, and Pirelli executives had visited Continental last Saturday when they put forward the merger.

● Volkswagen, the West German car maker, will invest DM1.5bn ($969m) up to 1995 to expand its Mexican operations, said Mr Martin Josephi, management board chairman of VW's Mexican unit, Reuter reports. Volkswagen de Mexico plans to increase annual capacity at its Puebla plant to 300,000 cars by 1992 from some 140,000 now, he said.

Barratt is forced to cut dividend for first time

By Andrew Hill in London

ECONOMIC uncertainty in the US and UK has forced Barratt Developments, one of the best-known names in British housebuilding, to cut its dividend for the first time since coming to the stock market 22 years ago.

Profits at Barratt more than halved in the year to June 30, from £77.5m ($147m) to £30.2m before tax, and some City analysts believe this year's profits could fall again. Earnings per share collapsed to 10.8p (27.3p).

Despite the worsening economic climate and a spate of poor corporate results, most British companies have resisted cutting dividends.

Barratt's shares, which stood at 208p in London at the beginning of the year, fell nearly 12 per cent on yesterday's news, from 120p to 106p.

The final dividend was cut from 10.18p to 5.79p, making 9p in total – 55 per cent lower than the last full-year payment of 13.39p a share.

Mr John Swanson, the group's chairman, said: "What we didn't expect was that interest rates would remain as high as they have for as long as they have."

The depressed UK economy had a wide-ranging impact on Barratt's housebuilding and commercial property activities:

● Housebuilding sales volume decreased. Barratt completed the sale of just under 6,000 properties in the UK; that was in line with the group's expectations, but still 10 per cent lower than in 1988-90.

● The cost of offering incentives to buyers of Barratt homes rose sharply. Mortgage subsidy and part-exchange schemes – buying customers' property to allow them to purchase Barratt houses – cost the group £20m more in 1989-90 than a year earlier.

● The part-exchange scheme also increased the group's debt burden. Net debt rose from £110m to £142m during the year, and borrowings stood at about 52 per cent of shareholders' funds at the year-end, compared with 41 per cent in June 1989.

Lex, Page 18

Belgian Government ready to meet Sabena operating losses

By David Buchan in Brussels

THE BELGIAN Government is ready to help meet mounting operating losses of Sabena, while putting more of the state-controlled airline into private hands, a senior minister said yesterday.

Following reports that Sabena had asked the Government for an urgent cash injection of BFr6bn ($187.5m), the minister, who requested anonymity, forecast that the Government would intervene.

"But we would prefer that any new [rescue] operation would result in greater private participation," he said.

British Airways and KLM have taken 20 per cent each of the newly formed Sabena World Airlines, part of the state-owned Sabena group, in a tie-up whose competition implications the European Commission is examining. Any increase in the stakes of the UK and Dutch carriers would probably disturb Brussels' anti-trust investigators.

However, other investors, both Belgian and foreign, have now apparently expressed some interest in taking a stake in Sabena, which the Belgian Government welcomes.

Last year the airline lost BFr1.3bn, and the likely deficit for this year is reported to be in the range of BFr5bn to BFr8bn. Belgium's political dispute with Zaire, which has curtailed the profitable Sabena service to Kinshasa, and Sabena's management problems have been the main causes.

The Government is currently searching for a new head for Sabena. One official yesterday forecast a "package" solution, with the airline simultaneously getting new management, shareholders and state aid.

Italy's banks buy into insurers

By Haig Simonian in Frankfurt

CREDITO ITALIANO and Monte dei Paschi di Siena, two leading Italian banks, have cemented their plans to expand into the insurance business with the formal approval of two separate deals with big foreign insurance companies.

Credito Italiano is to take a 30 per cent stake in Commercial Union Vita, the Italian life insurance operation set up by Commercial Union (CU), the UK insurer, in 1989.

The bank's move follows an agreement struck with CU in June last year, whereby the UK group would sell life and non-life insurance through Credito Italiano's 558 branches and the direct sales force of its Mediofin subsidiary.

Acquisition of the stake, which follows a government decision earlier this year to allow banks to directly own holdings in insurance companies, rather than through special subsidiaries, still requires formal approval by Italian regulators.

Meanwhile, Monte dei Paschi has signed an accord with Predica, the life insurance operation owned by Crédit Agricole of France, in which the French group will be given 40 per cent of Ticino Assicurazioni, and 49 per cent of Monte dei Paschi Vita, two insurers controlled by the Italian bank.

The deal, which will cost Predica L75.8bn ($65.3m), will allow it to expand its operations into the Italian market, while giving Monte dei Paschi an experienced partner in its insurance activities. Ticino Assicurazioni has lost money in recent years, and required substantial cash injections from the bank.

Mr Carlo Zini, Monte dei Paschi's managing director, said the new partnership will strengthen the position of both its life and non-life insurance operations and allow the bank to offer a wider range of financial products to customers.

Générale de Banque net up 3.8% to BFr4.2bn

By Tim Dickson in Brussels

GENERALE de Banque, Belgium's biggest commercial bank, yesterday announced that consolidated net profits increased by 3.8 per cent to BFr4.24bn ($133m) in the first half of 1990.

The company, which is still picking up the pieces after its proposed alliance with Amro Bank of the Netherlands was called off a year ago, said the result was achieved "despite a more difficult environment stemming from deregulation, which had the effect of reducing Belgian franc margins and revenue from commissions."

No forecast is ventured for the full year in view of the "current economic and regulatory climate, coupled with the obstacles which have arisen in connection with charging for financial services and the uncertainty of the international situation."

It was pointed out that the first-half profit figure included gains of BFr900m realised when Générale de Banque's interest in Lease International and the subsidiary's premises in the City of London were sold. The BFr400m capital gain expected from the sale of the bank's stake in European American Bank, meanwhile, will be taken into the second half.

Provisions of BFr1bn were made during the first half to cover part of the extraordinary charges linked to staff cuts. The total cost of these is estimated at BFr3.4bn, of which BFr3bn will be taken in 1990.

Group assets fell by 2.4 per cent to BFr2,376bn due to the policy of reducing its recourse to the interbank market.

Pernod Ricard to buy Greek liqueur producer

By George Graham in Paris

PERNOD RICARD, the French wine and spirits group famous for its aniseed-flavoured pastis drinks, is to complete its European drinks distribution network with the acquisition of Lizas & Lizas, a leading Greek liqueur producer.

Lizas, which has yearly sales of about 1bn drachmas ($6.7m), has a range of 19 fruit liqueurs. Pernod hopes to take advantage of its sales network to expand sales of its own portfolio of drinks, which includes brands such as Ricard pastis, Jameson and Bushmills Irish whiskey, Bisquit cognac and Cusenier liqueurs.

Pernod officials said the Greek market had started to expand. They said Lizas planned to produce a top-of-the-range ouzo – the fiery Greek national spirit – and this could be distributed outside Greece through the group's sales network.

Subject to the approval of the Greek authorities, Pernod will take 90 per cent of Lizas through its subsidiary Société pour l'Exportation des Grandes Marques. The two managers of the company, will remain and keep a 10 per cent stake.

ABB establishes $600m employee share scheme

By William Dullforce in Geneva

ASEA BROWN BOVERI, Europe's leading electrical engineering group, yesterday unveiled a $600m employee share ownership programme, which, it claimed, was one of the biggest one-time participation offers to employees.

The programme, approved by the boards of Sweden's Asea and Switzerland's BBC Brown Boveri, covers 25 countries and some 160,000 of the group's 217,000 employees worldwide. Asea and BBC are listed companies, each owning half of the ABB stock.

The most striking exception is the US, where ABB has some 33,000 employees, but cannot implement the programme because it is not yet registered with the Securities and Exchange Commission.

Mr Lars Thunell, executive vice president, said the programme would amount to less than 5 per cent of shareholders' equity and would have a dilution effect of about 3.6 per cent.

By offering a share stake to as many employees as possible, ABB hopes to create a strong sense of group unity throughout the world and to increase motivation and performance, Mr Thunell said.

Employees will have the right to buy "units," comprising either bonds with warrants or warrants alone, priced in 20 local currencies. The warrants in each unit will entitle the employees to buy six Asea B shares, each with a one-tenth vote, and one non-voting BBC participation certificate.

Each employee can buy from one to 10 units and is guaranteed a purchase of two. The underlying share value of each is approximately $1,600. The units have a maturity of five years; the warrants may be exercised after two years. The offer is valid from September 28 to October 19.

The bulk of the units carry fixed-interest bonds with warrants but in some countries, where legal practices differ, such as the UK, the units will be directly changeable into warrants.

ABB said the units had been so constructed that participating employees would receive their investment back in local currency after five years, regardless of the share price performance. They will also receive a fixed interest return on the bonds.

BNL advances 44% midway

BANCA NAZIONALE del Lavoro (BNL), the big Italian bank, lifted pre-tax profit by 44.3 per cent to L453bn ($390m) in the first half of 1990 from L314bn a year earlier, AP-DJ reports.

The figures are based on a reclassification of the bank's accounts under guidelines set by Italy's stock market watchdog Consob, BNL said. The bank's financial structure was overhauled after BNL became embroiled in a scandal involving the unauthorised extension of export credits to Iraq.

BNL also said total loans amounted to L34,472bn, up 17.3 per cent from the end of June 1989.

German steel chief named

By David Goodhart in Bonn

MR Hans Christoph von Rohr will take over from Mr Herbert Gienow as chairman of Klöckner-Werke, the West German steel and machinery group, when Mr Gienow retires in May next year.

Mr Gienow, who may take up a post with the Treuhand, the trust body charged with privatising East German industry, has led Klöckner through a stormy decade.

Through the steel crisis of the 1980s Klöckner was often regarded as the Ruhr steel giant with the worst survival prospects but, after rapid diversification into plastics and engineering, it will this year pay a dividend for the first time since 1974-75.

Mr von Rohr, 52, has been a board member of Klöckner & Co, the related trading group, since 1986. Before that he ran a Klöckner subsidiary in Argentina and, after returning to Germany, took control of the Hamburg company Fisser and Doornum.

Mr von Rohr, who trained as a lawyer and attended several universities including Princeton in the US, was economic spokesman of the Christian Democrats in the Hamburg state parliament from 1978 to 1984.

Lyonnaise des Eaux advances strongly

LYONNAISE DES EAUX, the diversified French water services, cleaning and energy utility, yesterday reported first-half net attributable profit of FFr363m ($70m), up from FFr307m, Reuter reports.

Turnover rose to FFr11.7bn from FFr10.02bn, with a 16 per cent rise in foreign turnover to FFr2.9bn.

The Republic of Venezuela

Notice of Meeting

To the holders of the U.S. $165,000,000 Floating Rate Notes Due 1994 of The Republic of Venezuela

NOTICE IS HEREBY GIVEN in accordance with the provisions of the Fiscal Agency Agreement dated 22nd December, 1988 and made between The Republic of Venezuela (the "Republic"), The Chase Manhattan Bank, N.A. (the "Fiscal Agent") and others (the "Fiscal Agency Agreement") relating to the above mentioned Notes (the "Notes") that a Meeting (the "Meeting") of the holders (the "Noteholders") of the Notes is convened by the Republic and will be held at 10:00 a.m. on 12th October, 1990 at the offices of Slaughter and May at [illegible], London EC2 [illegible] for the purpose of considering and, if thought fit, passing the resolution set out below which will be proposed as an Extraordinary Resolution.

The purpose of the Extraordinary Resolution is to permit the implementation of the Financing Plan referred to below. Details of the background to, and the reasons for, the proposed Extraordinary Resolution are contained in the Explanatory Statement referred to below, copies of which are available for collection by Noteholders at the specified offices of the Fiscal Agent and the other Paying Agents (together, the "Agents"), the addresses of which are stated below.

The resolution to be proposed at the Meeting is as follows:–

EXTRAORDINARY RESOLUTION

"THAT this meeting of the holders of the U.S. $165,000,000 Floating Rate Notes Due 1994 (the "Notes") of The Republic of Venezuela (the "Republic"), issued pursuant to a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 22nd December, 1988 and made between the Republic, The Chase Manhattan Bank, N.A. and others, hereby:–

(i) irrevocably waives the provisions of the Terms and Conditions (the "Conditions") of the Notes which (a) require in Condition 7 that the obligations of the Republic under the Notes will rank at all times at least pari passu in priority of payment, in right of security and in all other respects with all other Debt [illegible]

(ii) sanctions every modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the holders of the Notes and/or the holders of the coupons appertaining thereto against the Republic involved in or resulting from the passing of this Resolution; and

(iii) authorises the parties to the Fiscal Agency Agreement to execute all such documents and to do all such other acts and things, in each case, as may be necessary to carry out and give effect to this Extraordinary Resolution."

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

VOTING AND QUORUM

1. A holder of Notes in bearer form ("Bearer Notes") wishing to attend and vote at the Meeting in person must produce at the Meeting either the Bearer Notes, or one or more valid voting certificates issued by one of the Agents relating to the Bearer Notes, in respect of which he wishes to vote. [illegible]

2. The quorum required at the Meeting consists of two or more persons present in person (not being the Republic, Banco Central de Venezuela or any National Governmental Agency) holding Notes or voting certificates or being proxies [illegible]

3. Every question submitted to the Meeting or the adjourned Meeting will be decided by a show of hands unless a poll is demanded by the Chairman of the Meeting or by the Republic or by one or more persons holding one or more Notes or voting certificates or being proxies [illegible]

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than two-thirds of the persons voting thereon or, if a poll is duly demanded, by a majority consisting of not less than two-thirds of the votes cast on such poll. If passed, the Extraordinary Resolution will be binding upon all the Noteholders, whether present or not at the Meeting, and upon all the holders of the coupons appertaining thereto (the "Couponholders"), and each of the Noteholders and Couponholders will be bound to give effect thereto accordingly.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement (together with the Banco Central Undertaking and the Agent Bank Agreement referred to therein) and the Financing Plan referred to above may be inspected, and voting instruction forms, voting certificates and copies of the Explanatory Statement may be obtained, by Noteholders at or from the specified offices of the Fiscal Agent and the other Paying Agents, the addresses of which are set out below.

FISCAL AGENT AND PRINCIPAL PAYING AGENT

The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD

PAYING AGENTS

Banque Bruxelles Lambert S.A., 24 Avenue Marnix, B-1050 Brussels

Chase Manhattan Bank (Switzerland), 63 Rue du Rhône, CH-1204 Geneva

Chase Manhattan Bank Luxembourg S.A., 5 Rue Plaetis, L-2338 Luxembourg-Grund, Luxembourg

Dated 20th September, 1990

The Chase Manhattan Bank, N.A. for and on behalf of the Republic of Venezuela

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

The Republic of Venezuela

Notice of Meeting

To the holders of the U.S. $167,000,000 Floating Rate Notes Due 1998 of The Republic of Venezuela

NOTICE IS HEREBY GIVEN in accordance with the provisions of the Fiscal Agency Agreement dated 22nd December, 1988 and made between The Republic of Venezuela (the "Republic"), The Chase Manhattan Bank, N.A. (the "Fiscal Agent") and others (the "Fiscal Agency Agreement") relating to the above mentioned Notes (the "Notes") that a Meeting (the "Meeting") of the holders (the "Noteholders") of the Notes is convened by the Republic and will be held at 10:30 a.m. on 12th October, 1990 at the offices of [illegible], London EC2 [illegible] (or, if later, immediately after the conclusion of the meeting of holders of U.S. $165,000,000 Floating Rate Notes Due 1994 issued by the Republic convened for 10:00 a.m. on the same date and at the same location) for the purpose of considering and, if thought fit, passing the resolution set out below which will be proposed as an Extraordinary Resolution.

The purpose of the Extraordinary Resolution is to permit the implementation of the Financing Plan referred to below. Details of the background to, and the reasons for, the proposed Extraordinary Resolution are contained in the Explanatory Statement referred to below, copies of which are available for collection by Noteholders at the specified offices of the Fiscal Agent and the other Paying Agents (together, the "Agents"), the addresses of which are stated below.

The resolution to be proposed at the Meeting is as follows:–

EXTRAORDINARY RESOLUTION

"THAT this meeting of the holders of the U.S. $167,000,000 Floating Rate Notes Due 1998 (the "Notes") of The Republic of Venezuela (the "Republic"), issued pursuant to a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 22nd December, 1988 and made between the Republic, The Chase Manhattan Bank, N.A. and others, hereby:–

(i) irrevocably waives the provisions of the Terms and Conditions (the "Conditions") of the Notes which (a) require in Condition 7 that the obligations of the Republic under the Notes will rank at all times at least pari passu in priority of payment, in right of security and in all other respects with all other Debt [illegible]

(ii) sanctions every modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the holders of the Notes and/or the holders of the coupons appertaining thereto against the Republic involved in or resulting from the passing of this Resolution; and

(iii) authorises the parties to the Fiscal Agency Agreement to execute all such documents and to do all such other acts and things, in each case, as may be necessary to carry out and give effect to this Extraordinary Resolution."

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

VOTING AND QUORUM

1. A holder of Notes in bearer form ("Bearer Notes") wishing to attend and vote at the Meeting in person must produce at the Meeting either the Bearer Notes, or one or more valid voting certificates issued by one of the Agents relating to the Bearer Notes, in respect of which he wishes to vote. [illegible]

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FISCAL AGENT AND PRINCIPAL PAYING AGENT

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INTERNATIONAL COMPANIES AND FINANCE

Stelco to halve payout and adopt austerity package

By Bernard Simon in Toronto

A STEEP downturn in North American steel markets and a seven-week strike have led Stelco, Canada's second biggest steelmaker, to halve its dividend and adopt a series of austerity measures.

Stelco said the quarterly dividend payable on its convertible common shares on November 1 will be cut to 12.5 cents from 25 cents.

Senior executives and salaried workers not affected by the strike are taking "significant" salary cuts and cash outlays for capital projects have been cut to the "absolute minimum."

Mr John Allan, chairman, said the company was also considering "various strategic structural changes directed at improving shareholder value."

A senior Stelco executive warned earlier that parts of the company's operations in Hamilton, Ontario, might be closed if the strike by 10,000 United Steelworkers of America members over a new labour contract continued.

Stelco suffered a C$7m (US$6m) loss in the first half of this year and a 10 per cent drop in revenues, compared with income of C$60.6m a year earlier.

The company has been hurt by its heavy dependence on North American car makers, the fast-weakening domestic economy and by the strength of the Canadian dollar. With long-term debt of almost C$1bn, it has also been pinched by high interest rates.

Algoma Steel Corp of Canada has also been hit by a strike, involving 5,500 workers.

Sagging domestic consumption and stiffer competition from imports caused by the strong dollar have affected the entire Canadian steel industry. The industry shipped 6.3m tons in the second quarter of this year, almost 14 per cent less than a year earlier.

According to the Canadian Steel Producers Association, US steelmakers' share of the Canadian market was 10.3 per cent between April and June, up from 8.4 per cent a year earlier and 4.5 per cent in 1986.

Stelco is pressing ahead with an ambitious investment programme designed to improve its competitiveness.

The centrepiece is a C$200m flat-rolled processing project, known as the Z-line. The facility, planned to come onstream in 1991, will be able to zinc-coat 72 inch-wide steel sheets and produce continuously annealed cold-rolled sheet.

Stelco is relying on the new line, being built in partnership with Mitsubishi, to expand its sales to Japanese-owned car plants in North America as the transplants come to rely increasingly on locally made parts. The company is also seeking to create an integrated North American operation to take advantage of the US-Canada free trade pact.

Stelco created North America's largest producer of cold rolled bar products last year by buying 40 per cent of Bliss & Laughlin of Illinois.

With Stelco's facilities at its home base in Hamilton, and B&L's plants in Illinois, Ohio and Georgia, the combined operations can, according to Stelco Steel president Mr Fred Telmer, take products "where it makes most sense to serve markets."

US drugs company faces class action suit

By Karen Zagor

BOLAR Pharmaceutical, the US drugs group, yesterday said it was facing a class action law suit for alleged violations under the Racketeer Influenced and Corrupt Organisations Act (Rico) and federal securities laws.

The company was one of the most promising US generic drug manufacturers before a series of scandals earlier this year, including allegations that the company had falsified lab-test results, forced it to make a sharp cut in its operations.

The latest alleged violations are associated with statements by Bolar and some of its officers in an application to the Food and Drug Administration to make and market a generic version of Cardizem, a Marion Laboratories drug.

Bolar said it believed the suit lacked merit and added it would vigorously defend itself.

The suit, on behalf of some sellers of Marion Laboratories common stock, seeks to recover "an unspecified amount of compensatory and treble damages, interest, attorney's fees, costs and expenses."

Businessland to cut costs and staff numbers

By Karen Zagor in New York

BUSINESSLAND, the biggest US personal computer dealer which sells Apple, International Business Machines and Compaq computers, yesterday announced a wide range of cost-cutting measures, including a 10 per cent reduction in its workforce.

The San Jose, California-based company shocked Wall Street in August when it reported disastrous fourth-quarter results and a bigger-than-expected loss for 1989.

The group said yesterday it would reduce worldwide inventories by $50m and eliminate a layer of management from its field sales organisation. At the end of 1989, Businessland employed 3,500 people.

Mr David Norman, chairman and chief executive, said: "We are moving decisively to make the tough decisions to bring our operating costs in line with revenues.

"The net result will be a tighter, leaner organisation that will be even more responsive and competitive in the marketplace."

There was little surprise on Wall Street to yesterday's news, and shares in the company were unchanged at $2½ at midsession on the New York Stock Exchange.

Businessland stock was trading at about $7 in August, before the fourth-quarter results were released.

Among the factors contributing to the company's loss were higher spare parts inventory reserves and other accruals, and deferred vendor credits which hurt operating margins. Businessland's international operations and its ComputerCraft retail business both reported operating losses in the fourth quarter.

Businessland said yesterday that ComputerCraft, which operates mainly in Texas and northern California, would be merged into mainstream Businessland operations.

Macy may buy back bonds

By Janet Bush

R.H. MACY, the New York retailer which took on large amounts of high-yield debt when it was taken private in a $3.6bn leveraged buy-out in 1986, said yesterday that it had plans to repurchase a large chunk of its outstanding junk bonds with face value of $1.6bn.

With the junk bond market still extremely depressed and showing few signs of reviving, those companies fortunate enough to have access to fresh funds are choosing to buy back their junk bonds at cheap prices, so cutting their interest payments.

There is some urgency in the case of a retailer such as Macy, amid evidence that US retail sales have been falling sharply.

The company has an annual cash interest bill estimated at $600m on its $5.6bn in debt.

Mr Myron Ullman, executive vice president of Macy, said that the company was looking at five or six different ways to finance a bond repurchase.

Selling a share stake in Macy is likely to be one option. The retailer sold a token 1 per cent equity stake to a real estate developer this summer for $15m and used part of the proceeds to retire about $45m of its bonds.

The company's 14.5 per cent bonds of 1998 are trading at about 54 cents on the dollar and other bond issues are trading at even greater discounts.

Inns group seeks protection

By Nikki Tait in New York

PRIME Motor Inns, a New Jersey-based company which owns or operates more than 130 hotels and motor inns, has filed for protection under Chapter 11 of the US Bankruptcy Code.

The filings, on behalf of Prime and most of its operating subsidiaries, were submitted in the Florida bankruptcy courts.

Similar filings were also made by Servico, a privately held hotel chain based in West Palm Beach, acknowledged to be struggling.

Prime has loans of about $200m outstanding to Servico and its parent company, FCD Hospitality, and was obliged to write down its investment last year.

Problems have been mounting at Prime. The company became the second largest hotel franchiser in the US, after Holiday Inn, when it acquired Ramada's and Rodeway's US franchise systems last year.

However, having seen group debts rise on the back of its expansion programme and faced with an increasingly difficult property market in the US and weak demand, the emphasis in recent months has been on disposals.

The company – which made a net profit of $77.4m last year – said yesterday that its total debts currently stood at about $550m. Shares in Prime have been falling sharply all summer.

Pitney Bowes plans reshape of business

By Janet Bush in New York

PITNEY BOWES, the leading US supplier of mailing equipment and retail and office systems, yesterday announced a reshaping of its photocopier business which would result in a charge of about $86m against its third-quarter earnings.

The company said the one-off charge, of about 68 cents a share after tax, would mean that profits in 1990 would be lower than those reported last year.

The Stamford, Connecticut-based company said it would no longer pursue its strategy of re-manufacturing used copier equipment and would instead concentrate on higher margin copiers aimed at large corporations and "multi-unit installations."

As part of this shift, it will adjust the estimated useful lives of copiers from five to three years, establish a reserve for the disposal of copiers which would have been re-manufactured following the previous strategy and establish a reserve for the costs of closing facilities.

Pitney Bowes earned net income of $253m or $3.19 a share in 1989 after taking a substantial writedown.

BCE to join bid for Telefonos de Mexico

By Robert Gibbens in Montreal

BCE, the Canadian conglomerate which takes in Bell Canada and Northern Telecom, plans to join a consortium in a bid for a major stake in Telefonos de Mexico, the Mexican state-owned telecommunications company.

Its partners seeking a 20 per cent controlling interest when Telefonos is privatised in the next few months may include "Baby Bells" in the US, Spanish and Mexican companies.

The Mexican Government plans to sell the remaining 80 per cent of Telefonos to the Mexican public. The company is estimated to be worth between C$7bn (US$6bn) and C$8bn.

Mr Raymond Cyr, BCE chairman, said Mexico presented an ideal opportunity for the group to expand its core telecommunications business on a global scale.

BCE could end up with a 5 per cent interest in Telefonos, requiring an investment of perhaps C$350m, through which it would be able to gain a management contract and supply equipment through Northern Telecom. Several international groups will be competing for the control block.

The Canadian group's mobile telephone subsidiary has two cellular licences in Mexico.

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INTERNATIONAL COMPANIES AND FINANCE

Sasol ponders on its oil windfall

Philip Gawith looks at the prospects for South Africa's chemicals giant

South Africa has been described, in a famous aphorism, as having advanced economically by windfall and politically by disaster.

Although the history of Sasol, the country's giant synthetic fuel and chemicals company, is not replete with instances of disaster, economic windfall has certainly been a feature of the company's development.

Once again, with Sasol on the verge of its 40th birthday, the world is faced with an oil crisis which has decidedly bullish implications for oil producers such as Sasol. Indeed, Sasol's share price shot up 25 per cent during the first 10 days of the Gulf crisis, although it has subsequently softened somewhat.

The Sasol management is obviously keen not to over-react to what might be nothing more than a temporary blip in world oil prices. Mr Paul Kruger, managing director, comments: "We can't base our future on the assumption that we're going to see runaway oil prices."

He notes that the political conflict in the Gulf will be solved and this will merely encourage other sources of oil supply to be developed. Also, if higher oil prices accelerate a world economic slowdown, Sasol will suffer in some of its other markets, such as chemical commodities.

Mr Kruger does add, however: "At $23 per barrel oil price, we could justify a new Sasol plant.

"It would be economically viable, quite lucrative in fact."

This reasoning has a familiar ring to it, given that two of the three existing Sasol plants grew directly out of earlier oil crises. The original Sasol 1 plant in Sasolburg was built by the Government in the early 1950s as part of a strategy for the country to become energy self-sufficient for security reasons and as the basis for a chemical industry which was then in its infancy. It pioneered what has become known as the Sasol Synthol process, a two-stage coal-to-gas, gas-to-liquid conversion process.

Sasol 2 was the child of the 1973 oil crisis. Higher oil prices made the expansion of the country's oil-from-coal industry economically viable again and in November 1974 the decision to proceed with Sasol 2 was taken. In 1979, the year in which Sasol was privatised, the Iranian crisis led to the construction of Sasol 3, for similar reasons.

Between these periods of high oil prices, Sasol was forced to diversify its activities as expansion of oil-from-coal activities was not justified. The first such phase, during the 1960s, saw the establishment of a synthetic ammonia plant and the production of a range of fertiliser feedstocks; the construction of a naphtha cracker for the production of petrochemical raw materials and the establishment of the Natref refinery.

Following the collapse of international oil prices in the first half of 1986, Sasol was again compelled to broaden the group's income base from its very high stake in synthetic fuels.

Earlier in the 1980s Sasol had also diversified into fertilisers and mining explosives. Although Sasol is gaining market share with explosives, its entry into the fertiliser market coincided with a period of prolonged drought which saw the market shrink significantly, and hence Sasol's sales.

Now approximately one third of Sasol's R1.33bn ($520m) annual pre-tax profit comes from synthetic fuels, a further third from coal and oil and the balance from chemicals, fertilisers, explosives and polymers.

If the operating profit from Sasol 3, in which Sasol has a 50 per cent stake, is included, then the contribution from synthetic fuels becomes 50 per cent. This confirms, says Mr Stegmann, that synfuel production remains the mainstream of Sasol's business and will do so for the foreseeable future.

Sasol has capital projects to the value of R2.6bn under construction or approval. These include the rejuvenation of Sasol 1, where facilities will be installed to produce ammonia and high-value products such as speciality chemicals and waxes; an N-butanol plant, an anode coke plant and the expansion of the ethylene recovery plant at Secunda (home of Sasol 2 and 3).

Although a sustained period of higher oil prices may raise the prospect of a further synthetic fuel plant being built, Sasol's attention in the short-term will be focused on negotiating with the Government to acquire the 50 per cent stake in Sasol 3 still held by the Central Energy Fund, following the introduction in July last year of a new tariff protection formula.

A Sasol plant: most were built as the result of oil crises

Burns, Philp held to 2% rise in earnings

By Bruce Jacques in Sydney

BURNS, Philp, the food technology and hardware group based in Sydney, was held to a 2 per cent earnings rise in the year to June by a static performance from its international yeast and fermentation division.

The company's net earnings rose to A$53.9m (US$44.9m) from A$52.8m, on a 12 per cent rise in revenue to A$2.1bn from A$1.9bn. The final dividend is steady at 7.5 cents a share.

Despite a little changed profit contribution of A$57.9m, Burns, Philp's yeast and fermentation operations remained its main profit spinner.

The hardware division lifted its contribution to A$30.5m from A$23.5m, while profits from its Pacific trading operations rose to A$13m from A$10.1m.

The contribution from the group's QBE Insurance associate rose to A$21.7m from A$20.1m.

But the investments and head office division produced a loss of A$16.9m, an increase of nearly 60 per cent on the previous year's A$10.8m loss.

Mr Andrew Turnbull, managing director, described trading conditions through most of the group as difficult, with hardware operations particularly hit by a downturn in building activity.

"Although there are emerging signs that housing activity has bottomed and could be expected to improve in the coming year, the significant profits' increases of the past two years from the hardware operations are unlikely to be repeated in 1991," Mr Turnbull said.

He added that the company's fermentation business was bound to be affected by higher fuel costs, but results for the first half of the current year should not be "materially different" from those of last year.

The profits were subject to a tax of A$4.6m compared with A$8.5m previously and depreciation of A$82.7m against A$52.8m. Net interest expense rose to A$82.2m from A$50.4m.

Mine group hit by low tin prices

By Lim Siong Hoon in Kuala Lumpur

MALAYSIA Mining Corporation, the country's largest mining group, reported a 51 per cent drop in pre-tax profits to M$30m (US$11m) for the first half to July. This compares with M$72m during the same period in 1989.

With prices still depressed, MMC, which has been badly hit by weak tin prices and low sales in recent months, said it could only be "cautiously optimistic" about improving on the results in the rest of the year.

The impact of the group's dependence on tin has again focused its attention on diversification both at home and abroad.

Its main overseas businesses so far are tin mining in Thailand and gold and diamond mining in Australia under its 46 per cent holding in Aston Mining.

The few projects which are in the pipeline include copper mining in Malaysia, ilmenite extraction on China's Hainan island, where MMC has established a venture with Japan's Marubeni, and a project to produce sulphuric acid and titanium.

MMC's mid-year turnover stood at M$490m, down 17 per cent from M$587m in the same period last year. Profit after tax was M$17m, or M$0.04 a share compared with M$0.10 previously.

The group has proposed a maintained interim dividend of 20 per cent gross.

Malaysian group leaps by 139%

By Lim Siong Hoon

ORIENTAL Holdings, one of Malaysia's largest industrial groups, yesterday posted a 189 per cent rise in pre-tax profits to M$111m (US$41m) from M$47m for the first half to June.

Profits after tax advanced to M$72m or M$0.67 a share, compared with M$0.27, while turnover rose by 143 per cent to M$111m from M$46m. A maintained gross interim dividend of 12 per cent was proposed.

Arnotts plans marketing drive to improve earnings

By Bruce Jacques

ARNOTTS, Australia's largest biscuit maker, is looking to marketing initiatives to boost results following a sluggish earnings performance in the year to June.

The company's net profit edged up 4 per cent to A$47.2m (US$23.7m) from A$45.4m but sales slipped nearly 6 per cent to A$727.6m from A$770.6m. Annual dividend is up to 23 cents from 21 cents a share. After-tax profit was A$32.9m against A$28.3m and depreciation A$25.1m from A$25.2m.

The company's growth was held back by a court decision preventing it from acquiring the rival Nabisco biscuit group's Australian operations.

Directors said they had decided to write off A$9.8m, the value of loans and associated acquisition costs. But they said strong future profit growth was expected from a series of initiatives taken late in 1989.

"The basic thrust of this strategy is to generate continued growth by maximising the scale of Arnotts' core biscuit activities," they said.

"This includes both productivity improvements . . . and the creation of growth opportunities by increasing the company's penetration of the away-from-home snacking market. The strategy also involves the orderly divestment of unrelated businesses."

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Imperial Chemical Industries PLC
On behalf of the Issuer, S.G. Warburg & Co. Ltd. hereby gives notice to former Bondholders of the above-mentioned Bonds that in accordance with Condition 5(G) of the Bonds the Trustee elected to apply, in subscription of Ordinary Shares at the Conversion Price applicable on 24th August, 1990, the principal amount of such of the Bonds due for redemption on such date as had not been duly presented for redemption before the date of such election.
The Ordinary Shares allotted on such subscription have been sold and the net proceeds of sale have been converted into U.S. dollars and paid to the Principal Paying Agent for distribution rateably to the holders of the said unpresented Bonds. U.S.$ 2,058.31 is therefore now payable on each unpresented Bond. Such Bonds together with all unmatured Coupons should be presented for payment at the office of the Principal Paying Agent:–
S.G. Warburg & Co. Ltd.
2 Finsbury Avenue, London EC2M 2PA
or at the office of one of the other paying agents named on the Bonds.
20th September, 1990

U.S. $100,000,000
BBL (Cayman) Limited
(Incorporated as a limited liability company in the Cayman Islands)
Guaranteed Floating Rate Notes Due 2000
Unconditionally guaranteed by
Bangkok Bank Limited
(Incorporated with limited liability in the Kingdom of Thailand)
Notice is hereby given that the interest payable on the relevant Interest Payment Date, October 17, 1990 for the period April 17, 1990 to October 17, 1990 against Coupon No. 11 in respect of US$10,000 nominal of the Notes will be US$423.16.
September 20, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

Den norske Bank
U.S.$150,000,000
Floating Rate Capital Notes due March 1991
In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from September 20, 1990 to March 20, 1991 the Notes will carry an Interest Rate of 8.3125% p.a. and the Coupon Amount per U.S.$10,000 nominal of the Notes will be U.S.$417.93 and per U.S.$250,000 nominal of the Notes will be U.S.$10,448.25.
September 20, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

FINANCIAL TIMES
CREDIT RATINGS
international
A unique quarterly source of reference, from Financial Times Business Information, essential to all players in the international credit markets – borrowers, investors and intermediaries alike.
For further information contact:
Clare Borrett, FT-Credit Ratings International, Marketing Department, Financial Times Business Information, Tower House, Southampton Street, London WC2E 7HA.
Tel: 071-240 9391 Fax: 071-240 7946

Nationwide Anglia Building Society
£75,000,000
Subordinated Floating rate notes due 2004
Notice is hereby given that the notes will bear interest at 15 7/16% per annum from 19 September 1990 to 19 December 1990. Interest payable on 19 December 1990 will amount to £381.76 per £10,000 note
Agent: Morgan Guaranty Trust Company
JPMorgan

Midland Bank plc
(Incorporated with limited liability in England)
US$500,000,000 Undated Floating Rate Primary Capital Notes
The Rate of Interest has been fixed at 8.4375% p.a. The interest payable on the relevant Interest Payment Date, March 20, 1991 against coupon No. 11 in respect of US$10,000 nominal of the Notes will be US$424.22.
Citibank, N.A. (CSSI Dept.), Agent Bank
September 20, 1990

COMALCO FINANCE LIMITED
US$100,000,000
Guaranteed Floating Rate Notes due 1993
Notice is hereby given that for the interest period 20th September 1990 to 20th December, 1990 the interest rate has been fixed at 8 3/16% interest payable on 20th December 1990 will amount to US$206.96 per US$10,000 Note.
Agent: Morgan Guaranty Trust Company
JP Morgan

NBD BANCORP, INC.
US$100,000,000
Floating Rate Subordinated Notes due 2005
Notice is hereby given that for the interest period 20th September, 1990 to 20th December, 1990 the interest rate has been fixed at 8 5/16%. Interest payable on 20th December, 1990 will amount to US$210.12 per US$10,000 Note.
Agent: Morgan Guaranty Trust company
JP Morgan

SEK
AB Svensk Exportkredit
(Swedish Export Credit Corporation)
U.S. $125,000,000
Floating Rate Notes due March 1992
For the six months 19th September, 1990 to 19th March, 1991 the Notes will carry an interest rate of 10% per annum with a coupon amount of U.S. $502.78 per U.S. $10,000 Note, payable on 19th March, 1991.
Bankers Trust Company, London
Agent Bank

S&P says big league lenders have stable rating

By Simon London

THE CREDIT quality of multinational lending institutions remains stable in the face of continuing doubts about the quality of loans to developing countries and the opening up of new investment activities in eastern Europe, according to Standard & Poor's, the US rating agency.

The nine multinational lenders covered by S&P have about $110bn of rated paper outstanding in the international debt markets.

The asset quality of several supranational institutions, including the World Bank and the African Development Bank, deteriorated sharply in the late 1980s as borrowing nations ran into payment problems.

However, S&P notes that last year saw the first signs of stabilisation and that most institutions are proceeding cautiously with investment activity in eastern Europe.

Comparison of asset quality between institutions is complicated by different accounting policies adopted by them.

For example, the African Development Bank places loans on "nonaccrual" or non-performing status after 12 months, with discretionary loan loss provisions made for arrears exceeding two years.

Against this, the International Finance Corporation (the private sector affiliate of the World Bank) takes a more conservative view, placing loans on nonaccrual when arrears exceed just 60 days and making immediate loan loss provisions if deemed necessary.

The biggest deterioration in loan arrears last year was experienced by the Inter-American Development bank, where nonperforming loans rose to 8.3 per cent of the total loan book, against just 2.6 per cent in 1988.

Loans to Nicaragua, Peru, Panama and Honduras totalling $345m were placed on nonaccrual during the year.

S&P notes that Honduras came out of nonaccrual earlier this year and Panama may follow suit before the year end.

Outstanding loans to Peru and Nicaragua are likely to remain so while both economies suffer acute shortages of foreign exchange.

However, other institutions with significant loan arrears improved their situation in 1989. For example, the African Development Bank cut non-performing loans from 9.4 per cent to 3 per cent by offering both stick and carrot to borrowers.

Until now the AFBD has been tolerant of administrative delays in repayment, but the "grace periods" before sanctions are applied are to be reduced from January 1991.

Yet the AFBD is also assisting borrower nations with the management of debt in an effort to improve the arrears position.

The AFBD's senior debt rating has been raised from AA+ to the top-quality AAA rating, and subordinated debt from AA- to AA.

Other than underlying asset quality, S&P bases its assessment of credit-worthiness on the support of member governments.

There is particular emphasis on callable capital from member governments which themselves carry an AAA rating.

Thus, while the loan book of the Inter-American Development Bank has deteriorated, support of major shareholders, principally the US Government with 34.5 per cent of subscribed capital, is undiminished.

Subscription to the IABD's seventh capital replenishment programme closes at the end of next month and the signs are that member support remains strong.

About 44 per cent of the IABD's callable capital comes from governments with AAA ratings, against just 29 per cent for the African Development Bank.

Another key consideration in assessment of credit quality is gearing and leverage, although the major multinational lending institutions have strict and conservative controls written into founding statutes.

So although the International Finance Corporation has higher leverage than other multilateral development banks, its leverage remains well below that of international commercial banks.

Mixed results at Spanish brokers

SPANISH brokerage firms saw net profit on shareholdings fall by 31 per cent in the second quarter of 1990 to Pta967m ($9.9m), Reuter reports.

The Stock Exchange Commission said profit on commissions rose 11.3 per cent to Pta10.38bn.

Greenspan comments on inflation weaken Treasuries

By Janet Bush in New York and Simon London in London

US TREASURY bonds were mixed at midsession yesterday as the market attempted to absorb a great deal of interesting testimony from Mr Alan Greenspan, Federal Reserve chairman, as well as the Fed's latest Beige Book of economic reports.

At midsession, short-dated maturities were quoted ⅛ point lower, while the Treasury's benchmark long bond was up ⅝ point for a yield of 9.02 per cent.

The market generally weakened on Mr Greenspan's remarks and rallied again after the Beige Book was published.

Mr Greenspan appeared to show more concern about inflationary pressures than about the risk of recession.

He said he saw no cumulative unwinding of US economic activity and that the core rate of inflation had crept higher despite the slowing of the economy.

He expressed concern about the effect on the yield curve, which has already steepened considerably in recent weeks, of an easing in monetary policy.

Mr Greenspan also said that the Fed aimed to maintain moderate growth.

The long end of the market then recovered after the Beige Book came out. This will be used as a guide to Fed policy at the Federal Open Market Committee on October 2.

The overall message of the report was that economic activity in most Federal Reserve districts is decelerating or declining.

The report also said that consumer spending varied widely from district to district but that rates of increase were generally slowing.

There was little mention of inflationary pressures in the report.

A helpful background factor yesterday was a modest fall in crude oil prices, with October futures quoted 76 cents a barrel lower at $32.65 at midsession.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-22	+1/32	12.52	12.52	12.76
		9.000	10/98	84-07	+1/32	11.81	11.76	12.04
		9.000	10/08	83-11	+3/32	11.16	11.13	11.49
US TREASURY *		8.750	08/00	98-29	-2/32	8.92	8.81	8.83
		8.750	05/20	96-28	+1/32	9.06	8.95	8.98
JAPAN	No 119	4.800	6/99	81.3341	+0.186	8.52	8.30	8.02
	No 130	6.700	06/00	92.4203	+0.453	8.09	8.00	7.55
GERMANY		8.500	08/00	96.6500	+0.050	9.01	8.99	8.86
FRANCE	BTAN	9.000	11/95	94.8087	+0.114	10.33	10.22	10.42
	OAT	8.500	03/00	86.2800	+0.210	10.48	10.35	10.31
CANADA *		10.500	07/00	97.2750	+0.250	10.98	10.76	10.76
NETHERLANDS		9.000	07/00	96.7100	-0.020	9.20	9.11	9.04
AUSTRALIA		13.000	07/00	96.9654	+0.157	13.57	13.42	13.81

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■THE UK government bond market weakened on comments from Bundesbank chairman Mr Karl Otto Pöhl which seemed to rule out early UK entry to the European exchange rate mechanism. The benchmark 11¾ per cent 2003/2007 gilt closed the day at 99⅝ to yield 11.787 per cent, against 11.77 per cent on Tuesday.

However, analysts suggest that the market may have further to go when the implications of Mr Pöhl's comments become clear.

Some estimate that yields will move out to 11.90 per cent in the next few days. Bundesbank opposition to sterling ERM entry until UK and German inflation rates show signs of converging could push back entry date until mid-1991 or later.

Gilts may also suffer as sterling loses support on the foreign exchange markets. Yesterday sterling fell from DM2.97 to around DM2.95 and against the dollar from $1.90 to $1.88.

Statements by Mr Greenspan, suggesting that monetary policy was unlikely to ease before the end of this year, also increased the pressure on sterling.

■THE RECENT slide in Japanese government bond prices was halted in Tokyo trading, with the benchmark No 119 issue closing on a yield of 8.525 per cent, against 8.56 per cent on Tuesday.

In the futures market the December contract closed up at 87.87 from 87.68, on a healthy volume of 65,500 contracts.

■TRADE in German government bonds was thin, with the benchmark 8¾ per cent 10-year bund closing at 96.60 on a yield of 9.02 per cent, little changed from yesterday.

On the futures market the December bund future closed at 81.15, a shade above an opening price of 81.12 on a volume of 25,200 contracts.

Simex to waive fees on futures

THE Singapore International Monetary Exchange (Simex) is to waive or partially waive clearing fees on its three-month Euromark interest-rate futures contract due to be launched today, Reuter reports.

Clearing fees will be waived on marketmaking trades by designated marketmakers and on trades of more than 3,000 contracts a month by designated market supporters.

Simex will offer a rebate of 50 per cent on clearing fees on volume up to 3,000 contracts per month. And general market participants will get a rebate of 50 per cent on clearing fees on all trades.

Bankers Trust, Dresdner Bank, Morgan Guaranty Trust and Swiss Bank Corp are designated marketmakers for the Euromark contract. This will duplicate the London International Financial Futures Exchange contract and will be the third of its kind to be traded in Singapore.

Simex also trades Euromark futures and options contracts.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on September 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅝	100⅛	+⅛	9.01
ALBERTA PROVINCE 9 3/8 95	600	100⅛	100⅝	-⅛	9.21
AUSTRIA 8 1/2 00	400	93⅛	93⅝	+⅛	9.61
BANK OF TOKYO 8 3/8 96	100	94⅞	95⅛	+⅛	9.59
BELGIUM 9 1/8 92	400	100⅜	101⅛		8.70
BFCE 7 3/4 97	150	92⅛	92⅝		9.41
BNP 8 5/8 94	300	98⅝	98⅞		9.05
BP CAPITAL 9 5/8 93	150	101⅛	102⅛		9.02
CANADA 9 96	1000	99⅞	100⅛	+⅛	9.01
CARCO 9 1/4 96	650	98⅝	99	+⅛	9.56
CCCE 9 1/4 95	300	100⅜	100⅞		9.12
COUNCIL EUROPE 8 96	100	94⅛	94⅝		9.34
CREDIT FONCIER 9 1/2 99	300	99⅛	99⅝		9.62
DENMARK 0 98	250	48⅛	48⅝	-⅛	9.65
DENMARK 8 1/4 94	150	97⅛	97⅝		9.11
ECSC 8 1/4 96	195	95	95⅜		9.33
EEC 7 1/4 93	250	96⅞	97⅛	+⅛	8.68
EIB 7 3/4 96	250	93⅛	93⅝		9.26
EIB 10 97	250	102⅛	103⅛		9.40
ELEC DE FRANCE 9 98	200	98	98⅝		9.36
EUROFIMA 9 1/4 96	100	99⅞	100⅜	+⅛	9.29
EXPORT DEV CORP 9 1/2 98	150	100	100⅜	+⅛	9.49
FINLAND 7 7/8 97	200	92⅛	92⅝	+⅛	9.57
FINNISH EXPORT 9 3/8 95	200	100⅛	100⅝		9.27
FORD MOTOR CREDIT 9 1/2 93	300	100⅛	101⅛	+⅛	9.20
GEN ELEC CAPITAL 9 3/8 96	300	100	100⅜	+⅛	9.36
GMAC 9 1/8 96	200	98⅝	99⅛	+⅛	9.43
HALIFAX 9 1/2 93	200	101	101⅛	+⅛	9.04
IBM WORLD TRADE 7 5/8 93	150	95⅞	96⅛	-⅛	9.26
IND BK JAPAN FIN 7 7/8 97	200	91⅛	92		9.66
INTER AMER DEV 7 5/8 96	200	92⅛	92⅝		9.41
ITALY 8 1/2 94	1500	98⅛	98⅝		9.02
JAPAN DEV BK 8 94	150	96⅞	97⅛		9.06
KANSAI ELEC PWR 10 96	350	101⅝	102⅛		9.58
LTCB 8 5/8 93	150	98⅞	99⅜		9.11
NEW ZEALAND 8 93	100	97⅛	98⅛		8.93
NIPPON CRED BK 9 3/4 93	150	101⅛	101⅞		9.20
NIPPON TEL & TEL 9 3/8 95	200	100⅜	101⅛		9.13
NORDIC INV BANK 9 93	200	100½	100⅞		8.76
OLYMPIA & YORK 8 1/4 96	435	87⅛	89⅛	-⅛	11.26
ONTARIO HYDRO 11 5/8 94	200	105⅛	106⅛	-1⅛	9.73
OSTER KONTROLLBANK 8 1/8 93	200	98⅝	99		8.72
PRUDENTIAL RLTY SECS 0 99	365.216	45⅛	46⅛		9.85
QUEBEC HYDRO 9 3/4 98	150	99⅞	100⅜	+⅛	9.79
QUEBEC PROV 9 98	200	96⅛	96⅝	+⅛	9.70
SAINSBURY 9 1/8 96	150	98⅛	98⅝	+⅛	9.52
SAS 10 99	200	99⅛	100	+⅛	10.14
SBAB 9 1/2 95	500	100⅞	101⅛	+⅛	9.24
STATE BK STH AUST 9 1/4 93	100	100⅛	100⅝		9.08
SUMITOMO BK CAP MKT 9 3/8 93	150	100⅜	101⅛		9.07
SWEDEN 8 1/8 94	150	97⅛	97⅝	+⅛	9.04
SWEDISH EXPORT 9 5/8 93	100	101⅛	102⅛		8.75
TOKYO METROPOLIS 8 1/4 96	200	95	95⅜	+⅛	9.35
WORLD BANK 8 3/8 99	1500	94⅛	94⅝	+⅛	9.55
WORLD BANK 8 3/4 97	1500	98⅛	98⅝	+⅛	9.32
XEROX CORPN 8 3/8 96	100	92⅛	94⅛	+⅛	10.04

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅛	92⅛	-⅛	9.93
KREDIETCORP 7 93 LFr	1000	92⅛	93⅛	-⅛	10.00
WORLD BANK 8 96 LFr	1000	92⅛	93⅛	-⅛	9.78
AMRO BANK 6 1/4 92 Fl	150	94⅝	95⅛	+⅛	9.45
RABOBANK 5 3/4 93 Fl	150	92	92⅛	-⅛	9.53
ALBERTA PROVINCE 10 92 C$	500	97⅛	98	-⅛	11.39
BCE INC 9 5/8 93 C$	300	95⅛	95⅝	-⅛	11.78
BELL CANADA 10 5/8 99 C$	150	93	93⅛		11.93
BRITISH COLUMBIA 9 1/4 93 C$	150	95	95⅛	-⅛	11.64
EIB 10 1/8 98 C$	130	91⅞	92⅛	-⅛	11.79
FORD CREDIT CANADA 10 94 C$	100	94⅛	94⅝	-⅛	11.91
GENERAL ELECT CAP 10 1/4 93 C$	175	96⅞	97⅛		11.52
MONTREAL TRUSTCO 8 1/2 92 C$	100	94⅛	95⅛	+⅛	12.35
ONTARIO HYDRO 10 7/8 99 C$	500	94⅛	95	-⅛	11.86
QUEBEC PROV 10 1/2 98 C$	200	92	92⅛	-⅛	12.07
ROYAL TRUSTCO 10 1/4 93 C$	100	95⅛	96	-⅛	12.26
SWEDEN 9 3/4 93 C$	250	96⅛	96⅝	-⅛	11.48
AUSTRIA 7 3/8 93 Ecu	125	92⅞	93⅛	+⅛	10.69
CNT 7 3/8 93 Ecu	250	91⅛	92⅛	-⅛	11.13
CREDIT LYONNAIS 9 96 Ecu	125	94⅛	95⅛	+1⅛	10.37
DENMARK 7 5/8 96 Ecu	250	87⅛	87⅞		10.72
EEC 7 5/8 94 Ecu	200	91⅝	92⅛	+⅛	10.63
EIB 10 97 Ecu	1125	97⅝	98		10.50
ITALY 10 3/4 00 Ecu	1000	100⅞	101	+⅛	10.58
SWEDEN 7 1/2 93 Ecu	250	90⅛	91⅛	-1⅛	11.32
BMW FINANCE 14 1/2 92 A$	100	100⅛	101⅛	+⅛	13.78
COUNCIL EUROPE 13 93 A$	50	99⅛	99⅞		13.21
EKSPORTFINANS 12 3/8 95 A$	75	97⅝	97⅞		13.11
FORD CRED AUST 13 93 A$	50	97⅝	98⅛	+⅛	14.09
ICI 15 1/2 92 A$	100	101⅞	102⅛	+⅛	14.04
MCDONALDS CANADA 15 95 A$	100	102⅛	102⅞	+⅛	14.23
NAT AUSTRALIA BANK 14 3/4 94 A$	150	102⅛	102⅝	+⅛	13.84
STATE BK NSW 14 1/4 99 A$	100	99⅛	99⅞	-⅛	14.40
VOLKSWAGEN INTL 15 94 A$	100	102⅛	103⅛	+⅛	13.89
ABBEY NATL TREAS 13 3/8 95 £	100	100	100⅛		13.31
BARCLAYS JERSEY 9 1/2 93 £	250	92	92⅛		13.34
BRITISH GAS 12 3/4 95 £	150	99⅝	100	-⅛	12.85
DEUTSCHE BK FIN 11 94 £	225	94⅝	95		13.03
EIB 10 97 £	300	87⅞	88⅛		12.90
FORD CREDIT FUNDING 9 5/8 93 £	50	91⅛	91⅝		13.83
INTER AMER DEV 11 3/8 95 £	75	95⅛	95⅞		12.70
ITALY 10 1/2 14 £	400	85⅛	85⅝		12.44
LAND SECS 9 1/2 07 £	200	73⅛	73⅝	-⅛	13.64
LEEDS PERMANENT 9 1/4 93 £	50	90⅝	91	-⅛	13.64
NORWAY 10 1/2 94 £	200	93⅛	93⅞		12.97
ROLLS-ROYCE 9 5/8 93 £	150	90⅞	91⅛		13.74
SAINSBURY 10 7/8 93 £	100	94⅝	95⅛		13.68
SKANDINAVISKA ENSK 13 1/8 95 £	100	99⅛	99⅞		13.33
WORLD BANK 11 1/4 95 £	100	95⅛	95⅝		12.65
ABBEY NATIONAL 0 96 NZ$	100	44	45		14.56
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	100	101		13.12
AIDC 7 7/8 93 FFr	600	92⅛	92⅝		10.96
CREDIT LYONNAIS 10 95 FFr	2000	96⅛	96⅝	+⅛	11.03
EURATOM 7 5/8 98 FFr	500	82⅛	82⅝		11.17

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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The Republic of Venezuela

Notice of Meeting

To the holders of the U.S. $167,000,000 Floating Rate Notes Due 2003 of The Republic of Venezuela

NOTICE IS HEREBY GIVEN in accordance with the provisions of the Fiscal Agency Agreement dated 22nd December, 1988 and made between The Republic of Venezuela (the "Republic"), The Chase Manhattan Bank, N.A. (the "Fiscal Agent") and others (the "Fiscal Agency Agreement") relating to the above mentioned Notes (the "Notes") that a Meeting (the "Meeting") of the holders (the "Noteholders") of the Notes is convened by the Republic and will be held at 11:00 a.m. on 12th October, 1990 at the offices of Slaughter and May at 16 Coleman Street, London EC2 (or, if later, immediately after the conclusion of the meeting of holders of U.S. $167,000,000 Floating Rate Notes Due 1998 issued by the Republic convened for 10:30 a.m. on the same date and at the same location) for the purpose of considering and, if thought fit, passing the resolution set out below which will be proposed as an Extraordinary Resolution.

The purpose of the Extraordinary Resolution is to permit the implementation of the Financing Plan referred to below. Details of the background to, and the reasons for, the proposed Extraordinary Resolution are contained in the Explanatory Statement referred to below, copies of which are available for collection by Noteholders at the specified offices of the Fiscal Agent and the other Paying Agents (together, the "Agents"), the addresses of which are stated below.

The resolution to be proposed at the Meeting is as follows:—

EXTRAORDINARY RESOLUTION

"THAT this meeting of the holders of the U.S. $167,000,000 Floating Rate Notes Due 2003 (the "Notes") of The Republic of Venezuela (the "Republic"), issued pursuant to a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 22nd December, 1988 and made between the Republic, The Chase Manhattan Bank, N.A. and others, hereby:—

(i) irrevocably waives the provisions of the Terms and Conditions (the "Conditions") of the Notes which (a) require in Condition 7 that the obligations of the Republic under the Notes will rank at all times at least pari passu in priority of payment, in right of security and in all other respects with all other Debt (as defined in Condition 7) of the Republic, (b) require in Condition 7 that if any Security Interest (as defined in Condition 7) is created to secure External Indebtedness (as defined in Condition 7), the Republic will cause such Security Interest equally and rateably to secure its obligations under the Notes, or (c) result in an Event of Default (as defined in the Conditions), to the extent necessary to permit (and accordingly such provisions shall not apply to) the creation of Security Interests securing or providing for the payment of the Discount Bonds, Par Bonds, Interest Reduction Bonds and Short-term Notes (all as defined in the Explanatory Statement) to be issued pursuant to the Republic of Venezuela 1990 Financing Plan dated 25th June, 1990 (together with the related documentation therefor, and as amended or modified in accordance with the terms of such documentation, the "Financing Plan"), and further irrevocably waives any other provision (if any) of the Conditions including any Event of Default (and accordingly such provision shall not apply) solely to the extent that such provision would apply to, conflict with, impede, be inconsistent with, or require the Republic, Banco Central de Venezuela or any National Government Agency (as defined in the Conditions) to take any action as a result of, the creation of the Security Interests referred to above and the issuance of any of the bonds and notes contemplated by the Financing Plan and as described in the Explanatory Statement;

(ii) sanctions every modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the holders of the Notes and/or the holders of the coupons appertaining thereto against the Republic involved in or resulting from the passing of this Resolution; and

(iii) authorises the parties to the Fiscal Agency Agreement to execute all such documents and to do all such other acts and things, in each case, as may be necessary to carry out and give effect to this Extraordinary Resolution."

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an Adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

VOTING AND QUORUM

1. A holder of Notes in bearer form ("Bearer Notes") wishing to attend and vote at the Meeting in person must produce at the Meeting either the Bearer Notes, or one or more valid voting certificates issued by one of the Agents relating to the Bearer Notes, in respect of which he wishes to vote.

A holder of Bearer Notes not wishing to attend and vote at the Meeting in person may deliver his Bearer Notes or voting certificates to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Agents, the addresses of which are set out below) instructing an Agent to appoint a proxy to attend and vote at the Meeting in accordance with the voting instruction.

Bearer Notes may be deposited with the Fiscal Agent or any of the other Agents for the purpose of obtaining voting certificates or appointing proxies at any time until 48 hours before the time fixed for the Meeting, but not thereafter. For this purpose, Bearer Notes held in the Euroclear Clearance System in a "blocked" account or by CEDEL S.A. in a blocked internal account, notice of which has been given by the Euroclear Operator or, as the case may be, CEDEL S.A. to the Fiscal Agent, will be treated as though such Bearer Notes had been deposited with the Fiscal Agent. Voting instructions and instructions to issue voting certificates will in such circumstances be given to the Fiscal Agent by the Euroclear Operator or, as the case may be, CEDEL S.A. Bearer Notes so deposited or held will be released at the conclusion of the Meeting (or, if applicable, any adjournment of the Meeting for which voting certificates and instructions will be valid) or upon the surrender to the Agent which issued the same of the voting certificates or, being not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of the Meeting) is convened, upon the surrender of the voting instruction receipts issued in respect thereof and notice of such surrender being given by such Agent to the Republic.

2. The quorum required at the Meeting consists of two or more persons present in person (not being the Republic, Banco Central de Venezuela or any National Governmental Agency) holding Notes or voting certificates or being proxies and being or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding and not held by or on behalf of the Republic, Banco Central de Venezuela or any National Governmental Agency as beneficial owner. If within half-an-hour from the time appointed for the Meeting a quorum is not present, the Meeting will be adjourned for such period, not being less than twenty-one days nor more than forty-two days, and to such time and place, as may be appointed by the Chairman of the Meeting. At least fourteen days' notice of an adjournment of the Meeting will be given. The quorum at an adjournment of the Meeting will be two or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, who shall have the power to pass the Extraordinary Resolution and to decide upon all matters which could properly have been dealt with at the Meeting from which the adjournment took place should a quorum have been present at such Meeting.

3. Every question submitted to the Meeting or the adjourned Meeting will be decided by a show of hands unless a poll is demanded by the Chairman of the Meeting or by the Republic or by one or more persons holding one or more Notes or voting certificates or being proxies and being or representing in the aggregate the holders of not less than two per cent. of the principal amount of the Notes then outstanding and not held by or on behalf of the Republic, Banco Central de Venezuela or any National Governmental Agency as beneficial owner. On a show of hands every person who is present in person and produces a Bearer Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each U.S. $10,000 principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy. No votes may be exercised in respect of Notes held by or for the account of the Republic, Banco Central de Venezuela or any National Governmental Agency. On a show of hands a declaration by the Chairman of the Meeting that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority will be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than two-thirds of the persons voting thereon or, if a poll is duly demanded, by a majority consisting of not less than two-thirds of the votes cast on such poll. If passed, the Extraordinary Resolution will be binding upon all the Noteholders, whether present or not at the Meeting, and upon all the holders of the coupons appertaining thereto (the "Couponholders"), and each of the Noteholders and Couponholders will be bound to give effect thereto accordingly.

AVAILABILITY OF DOCUMENTS

Copies of the Fiscal Agency Agreement (together with the Banco Central Undertaking and the Agent Bank Agreement referred to therein) and the Financing Plan referred to above may be inspected, and voting instruction forms, voting certificates and copies of the Explanatory Statement may be obtained, by Noteholders at or from the specified offices of the Fiscal Agent and the other Paying Agents, the addresses of which are set out below.

FISCAL AGENT AND PRINCIPAL PAYING AGENT
The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD

PAYING AGENTS
Banque Bruxelles Lambert S.A., 24 Avenue Marnix, B-1050 Brussels
Chase Manhattan Bank (Switzerland), 63 Rue du Rhône, CH-1204 Geneva
Chase Manhattan Bank Luxembourg S.A., 5 Rue Plaetis, L-2338 Luxembourg-Grund, Luxembourg

Dated 20th September, 1990

The Chase Manhattan Bank, N.A. for and on behalf of the Republic of Venezuela

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

These securities have been sold outside the United States of America and Japan.
This announcement appears as a matter of record only.

NEW ISSUE

September 20, 1990

SHINSHO CORPORATION

Osaka, Japan

DM 100,000,000

5¼% Bonds 1990/1994 with Warrants

to subscribe for shares of common stock of
Shinsho Corporation

The Bonds are unconditionally and irrevocably guaranteed by

The Dai-Ichi Kangyo Bank, Limited

OFFERING PRICE: 100%

Application will be made to list the Bonds with Warrants, the Bonds and the Warrants on the Frankfurt Stock Exchange.

NOMURA BANK (DEUTSCHLAND) GMBH

YAMAICHI INTERNATIONAL (DEUTSCHLAND) GMBH
DAI-ICHI KANGYO BANK (DEUTSCHLAND) AG
DRESDNER BANK AKTIENGESELLSCHAFT
BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT
MITSUI TAIYO KOBE BANK (DEUTSCHLAND) GMBH
SANWA BANK (DEUTSCHLAND) AG
BANK OF TOKYO (DEUTSCHLAND) AKTIENGESELLSCHAFT
BHF-BANK
COMMERZBANK AKTIENGESELLSCHAFT
DAIWA EUROPE (DEUTSCHLAND) GMBH
DEUTSCHE BANK AKTIENGESELLSCHAFT
DEUTSCHE GIROZENTRALE -DEUTSCHE KOMMUNALBANK-
DG BANK DEUTSCHE GENOSSENSCHAFTSBANK
ROBERT FLEMING (DEUTSCHLAND) GMBH
INDUSTRIEBANK VON JAPAN (DEUTSCHLAND) AKTIENGESELLSCHAFT
MORGAN STANLEY GMBH
THE NIKKO SECURITIES CO., (DEUTSCHLAND) GMBH
NIPPON KANGYO KAKUMARU (EUROPE) LIMITED
SCHWEIZERISCHE BANKGESELLSCHAFT (DEUTSCHLAND) AG
TOWA INTERNATIONAL LIMITED
VEREINS- UND WESTBANK AKTIENGESELLSCHAFT
YASUDA TRUST EUROPE LIMITED

INTERNATIONAL CAPITAL MARKETS

Chicago futures exchanges plan broader links

By Barbara Durr in Chicago

CHICAGO'S two main futures exchanges have broken more than a century of rivalry and agreed to form a joint committee to address common goals and competitive challenges.

The Chicago Board of Trade (CBOT) and the Chicago Mercantile Exchange (CME) have approved the creation of a standing joint committee which will examine ways to achieve cost savings and increased efficiencies in international marketing, systems development, operations and clearing. The new body will be called the Futures Exchanges Common Goals (FECG) committee.

The two Chicago exchanges have seen their world market share decline steadily over the last decade as futures trading, on which they once held almost a monopoly, spread around the globe.

Last year, they together accounted for just over half of futures and futures-options trading worldwide.

The two exchanges had begun to co-operate in the last few years on technology. In 1985, they jointly developed a computerised trade reconstruction system to improve the trade audit trail.

Last year, they agreed to co-develop the hand-held electronic trading card, called AUDIT, and in May this year, the CBOT abandoned development of its own after-hours automated trading system, Aurora, to team up with the CME and Reuters on the Globex system.

The decision to broaden co-operation is now expected to help achieve some savings for their member firms, many of whom operate in both exchanges.

Mr Leo Melamed, chairman of the CME's executive committee, will co-chair the new joint FECG committee along with Mr O'Connor, chairman of the CBOT. Mr Geldermann, chairman of the CME, and the presidents of both exchanges, the CBOT's Mr Thomas Donovan and the CME's Mr William Brodsky, will also serve as members.

French Treasury signals disapproval of rate rise

By George Graham in Paris

THE French Treasury has sent a strong signal to the financial markets expressing disagreement with the rise in interest rates by swapping another FFr1bn of fixed-rate funds for floating-rate money.

The swap is the second of its kind in two weeks, and is interpreted as a sign of the Treasury confidence that the gap between French and German inflation rates, currently 0.7 percentage points, will continue to narrow over the coming months.

The gap in yields between French and German government bonds had, earlier this summer, narrowed almost to this range, but it widened dramatically in the wake of the Gulf crisis, to a level that the Treasury clearly finds unjustified.

Yesterday it offered to swap FFr1bn at 10.45 per cent, or the average yield of this month's auction of its OAT 9.5 per cent 1998 bond, against floating-rate funds indexed on the three month Paris interbank offered rate.

The winner of the tender has not been named, but the margin is understood to be 40 to 45 basis points below Pibor.

The French finance ministry is confident that though rising oil prices will bring an automatic acceleration of the country's inflation rate, it will be able to keep the knock-on effects under control and should be able to maintain, and even accentuate, the trend towards a narrowing of the gap between French and German inflation rates.

National Grid agrees to changed credit terms

By Deborah Hargreaves

THE National Grid Company, which runs the UK's electricity transmission system, agreed to a change in the terms of its £750m revolving credit facility at a meeting with its bankers yesterday.

The changes come after the loan met with a disappointing reception in syndication.

The maturity of the loan has been reduced from seven to five years, bringing it more closely in line with the five-year borrowing requirements of the 11 regional electricity distribution companies.

The company has also raised the fees payable to participants in the syndication of the loan, but levels have not been disclosed.

No changes have been made to the underlying pricing which carries a margin of 15 basis points over the London interbank offered rate.

The meeting yesterday gave National Grid a chance to outline its corporate strategy to an assembly of bankers.

NatWest, the arranger of the facility, said it was more confident of the success of the loan in syndication after the presentation.

However, other banks were less sanguine that the changes in the terms of the loan would have any effect on its success.

Conditions in the market have changed in the month since the loan was launched with many Japanese banks – concerned about capital adequacy requirements and the falling Tokyo stock market – virtually withdrawing from syndicated loans.

In addition, the crisis in the Gulf and the poor state of the UK and US economies has shaken banks' confidence in the market.

Italy offers Ecu bills

THE Italian Treasury is to offer Ecu1bn of 12.8 per cent bills priced at par and maturing October 10 1991, Reuter reports. Subscriptions for the offer close next Wednesday.

World Bank issues ease supply shortages

By Tracy Corrigan

THE WORLD BANK brought fresh supply to three sectors which have been starved of issuance. Offerings in yen and lira were increased shortly after launch.

In the Euroyen sector, the World Bank brought a Y30bn five-year deal via LTCB International. The sharp rise in yen bond yields since the start of the Gulf tension produced a high 8¼ per cent coupon for the bonds, which proved attractive to many coupon-hungry accounts, although the new issue does not offer a substantial yield pick-up over secondary market paper.

INTERNATIONAL BONDS

The most recent deal in the sector was a Y25bn offering of 8¼ per cent European Investment Bank bonds, but that deal was less widely distributed, dealers said, and there has been a very limited supply of liquid bonds. The issue was quoted at less 1.55 bid, within 1⅞ point fees.

The World Bank's L300bn deal was the first since British Gas came to the market in late July. The 12⅛ per cent five-year bonds were launched by Istituto Bancario San Paolo di Torino.

A supra-national name was preferred by the Italian Treasury for the re-opening of the market, as bonds issued by such borrowers, and by Italian state-guaranteed issuers, are exempt from 30 per cent withholding tax, dealers said. But an issue from a non-tax-exempt borrower is expected to follow shortly. The deal met strong demand from Italian investors because of its tax-exempt status, and was quoted around 99.90, 20 basis points inside fees.

The World Bank also visited the Swedish kronor sector, untapped since a Swedish Export Credit deal in May. Placement of this retail-targeted issue was expected to be slow but steady. The deal, launched by Svenska International, was quoted within 1⅝ point fees at less 1⅛ bid.

Banesto, the Spanish bank, became the first borrower to issue variable rate notes denominated in Ecu. The subordinated perpetual note issue, arranged by Merrill Lynch, will rank as Upper Tier Two capital under BIS guidelines.

Many European banks needing to shore up their capital bases are eager to raise such funds in Ecu, as this will match assets better and afford some protection against the erosion of value due to currency losses.

Banesto issued perpetual VRNs simultaneously in dollars and Ecu, both with the same pricing. Merrill said the identical pricing of the transactions was a strong statement that issuers should and do not have to pay a premium to issue in Ecu.

Several other banks are said to be close to Ecu transactions, which appear to be meeting growing demand from European investors. However, some analysts lamented the opening of an Ecu VRN market by a rather weak credit, which could dampen some investors' appetite for such paper, they said.

Merrill hopes to increase both the Ecu and dollar deals at a later date.

As expected, Petroleos Mexicanos brought a $150m three-year deal via Swiss Bank Corporation. The 11⅝ per cent bonds, which offer a 325 basis point spread over Treasuries, were largely pre-placed.

In the equity-linked sector, Mitsui Engineering & Shipbuilding launched a $330m four-year deal via Nomura International.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Mitsui Eng.& Shipbiding.(a)♦	330	(5⅛)	100	1994	2¼/1½	Nomura Int.
Petroleos Mexicanos(a)◆	150	11⅝	99.70	1993	1⅜/⅞	SBC
Banesto Fin.(Cay.Is.)(c)♣◆	100	(c)	100	(d)	-	Merrill Lynch Int.
AUSTRALIAN DOLLARS						
NEW Treasury Corp(g)◆	200	zero	9⅛	2010	-	Hambors Bk
SWISS FRANCS						
Kabuto Decom Inc.★★(a)◆	70	8	99⅝	1995	1⅜	Citicorp Inv.Bk.
Shibaura Eng.Works(b)★★♦	50	5¼	100	1995	-	Nomura Bk (Swiss)
SWEDISH KRONOR						
World Bank(a)◆	400	13⅞	101¾	1995	1⅝/1⅛	Svenska Int.
ECUs						
Banesto Fin.(Cay.Is.)(c)♣◆	50	(c)	100	(d)	-	Merrill Lynch Int.
LIRE						
World Bank(a)◆	300	12⅛	101.45	1995	1⅞/1⅛	Ist.Bancario S'Paolo
YEN						
World Bank(a)◆	30bn	8¼	101.40	1995	1⅝/1⅛	LTCB Int.
Swedbank(e)◆	3bn	(e)	101⅛	1993	1⅛/⅝	LTCB Int.
Swedbank(f)◆	1bn	(f)	101	1991	1/⅝	LTCB Int.
Swedbank(f)◆	1bn	(f)	101	1991	1/⅝	LTCB Int.

★★Private placement. §Convertible. †Floating rate note. ♦With equity warrants. ◆Variable rate notes. ◆Final terms. a) Non-callable. b) Callable from 11/4/93 at 102½% declining ½% every 6 months. c) Twin-currency VRN issue. Coupon pays initial margin 3-month Libor plus 50bp. Alternative margins, Libor plus 87.5bp for first 10 years, then Libor plus 100bp for years 11-20, then Libor plus 140bp thereafter. d) Undated. e) Coupon pays 3-month Libor plus ⅛%, then fixed at 8½% thereafter. Non-callable. f) Coupon pays 3-month Libor plus ⅛%, then fixed at 8% thereafter. g) Fully fungible with existing A$500mn deal from payment date.

NASD studies Portal changes

By Deborah Hargreaves

THE National Association of Securities Dealers is considering changes to its Portal system for trading privately-placed debt and equity issues, according to Mr Joseph Hardiman, president of the NASD.

Portal, the closed network set up by the NASD in April to trade issues made under the Securities and Exchange Commission's newly-liberalised 144a private placement rules, has suffered from the slow start of that market. The system is currently being used more as a source of information than as a way of distributing privately-placed securities.

Portal is quoting prices on some 15 issues made under 144a rules, but is providing distribution for only two of them – equity issues made by Huhtamaki, the Finnish confectionery and pharmaceuticals company, and Compagnie Générale d'Electricité, the French telecommunications group.

Mr Hardiman said the NASD was talking to the SEC about changing Portal's status to make it into a quotation system for prices of private placements.

In addition, the NASD is considering ways of facilitating the execution of orders on the system without requiring participants to sign up for it.

Under Portal's current closed status, traders and institutional buyers of privately placed securities have to be approved by the NASD to participate in the system. This means they have to open their books to the NASD to prove they are eligible to buy the securities – the SEC sets a requirement of a net worth of $25m and securities holdings worth $100m to buy 144a issues.

Participants in Portal also have to join the clearing organisation, Cedel, which provides clearing and settlement for 144a issues.

The NASD could open up the system by removing its guarantee on participants in it, leaving brokers to establish for themselves that they are selling securities to qualified buyers. The NASD is also looking at providing automatic execution for deals done on the system.

The 144a private placement market has been suffering from the downturn in the market for new issues of debt and equity. It has not attracted an influx of foreign borrowers to the US market as had been hoped at its inception.

However, the American Stock Exchange and Reuters are going ahead with a system to rival Portal which they hope to have running by the middle of next year.

Separate regulation urged after AFBD/TSA merger

By Deborah Hargreaves

MR Christopher Sharples, chairman of the Association of Futures Broker Dealers, has emphasised the importance of safeguarding the independence of derivatives' regulation in the group's planned merger with The Securities Association.

In his last statement to members as chairman of the organisation, Mr Sharples has responded to concerns that some futures operators had expressed about being swallowed up inside the much-larger TSA.

"We will ensure that derivatives merit distinct treatment and it will be necessary for derivatives' practitioners to retain a large element of control over rule changes," Mr Sharples said.

The AFBD is expected to present the draft of merger proposals to its members by the end of November – it would then need a yes vote by 75 per cent of the body's members for the merger to go ahead.

Mr Sharples pointed out the significant cost reduction that will be available to members once the two bodies combine. However, he says it is too soon to put a figure on savings that will be made.

Whether or not the merger goes ahead, the AFBD will adopt a system of individual registration by the end of the year.

This involves all members registering individually and requires them to pass a competence exam. It will mean that disciplinary action and sanctions can be taken against individuals rather than just member firms.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Sep 19 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Sep 18 Index No.	Mon Sep 17 Index No.	Fri Sep 14 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (195)	687.45	-0.5	16.31	6.80	7.51	25.75	690.83	703.83	711.57	983.72
2 Building Materials (26)	844.48	-0.2	17.95	7.16	6.86	33.68	846.25	866.99	875.94	1189.07
3 Contracting, Construction (36)	1045.23	-1.6	21.18	7.63	6.17	42.06	1062.49	1078.03	1084.11	1594.65
4 Electricals (10)	1891.33	+0.7	14.87	7.11	8.23	64.89	1878.29	1916.02	2010.05	2911.82
5 Electronics (27)	1534.80	+0.2	10.68	5.24	12.73	55.67	1531.40	1542.63	1555.34	2149.59
6 Engineering-Aerospace (8)	414.30	+0.4	16.24	5.81	7.40	10.79	412.74	424.22	427.04	0.00
7 Engineering-General (46)	385.96	-1.2	15.50	6.72	7.77	14.87	390.45	398.76	407.22	0.00
8 Metals and Metal Forming (6)	403.40	......	28.61	8.34	4.25	17.02	403.28	409.47	411.83	519.00
9 Motors (13)	281.67	-1.7	19.06	8.39	6.11	13.91	286.45	293.44	297.64	369.12
10 Other Industrial Materials (23)	1159.10	-0.9	14.85	7.05	7.78	40.92	1170.07	1194.19	1200.73	1804.23
21 CONSUMER GROUP (178)	1162.77	+0.1	10.63	4.39	11.63	26.11	1161.47	1174.06	1167.86	1372.66
22 Brewers and Distillers (22)	1419.05	-0.5	10.84	4.11	11.18	30.61	1425.99	1452.92	1440.26	1518.56
25 Food Manufacturing (20)	997.26	+0.6	11.71	4.90	10.54	24.47	990.94	1000.80	996.89	1190.82
26 Food Retailing (16)	2398.63	-0.1	9.97	3.44	12.77	45.88	2400.41	2397.98	2382.26	2622.09
27 Health and Household (16)	2326.15	+0.5	7.60	3.03	15.66	29.07	2311.40	2347.24	2378.81	2606.52
29 Leisure (32)	1161.86	-0.4	12.88	5.37	9.39	36.30	1166.30	1178.94	1176.55	1817.49
31 Packaging & Paper (12)	489.44	+0.6	13.15	7.10	9.34	20.57	486.40	488.78	495.16	607.86
32 Publishing & Printing (16)	3026.84	+0.3	12.02	6.20	10.43	117.66	3016.95	3038.33	3061.23	3828.91
34 Stores (33)	747.62	+0.3	11.91	5.06	10.91	17.35	747.69	752.96	753.15	887.39
35 Textiles (11)	405.47	+0.3	14.87	8.89	8.51	19.76	404.10	406.91	410.55	584.91
40 OTHER GROUPS (147)	970.51	-0.4	13.09	6.14	9.25	30.13	974.18	995.89	999.43	1207.99
41 Agencies (16)	1138.74	+0.9	8.98	3.45	13.46	20.34	1128.85	1162.67	1184.59	1563.13
42 Chemicals (24)	977.81	-0.3	13.56	6.80	8.72	44.26	980.72	1001.23	992.47	1329.81
43 Conglomerates (13)	1282.74	+0.3	13.15	7.78	9.34	34.46	1279.47	1317.53	1320.79	1729.51
45 Transport (13)	1867.24	-0.4	13.01	5.56	9.74	50.29	1860.99	1901.01	1908.84	2431.47
47 Telephone Networks (2)	1078.07	-1.9	12.42	5.22	10.48	26.09	1099.50	1133.01	1147.94	1171.99
48 Water (10)	1989.45	+0.7	15.50	6.81	7.25	68.12	1975.17	1960.70	1954.80	0.00
49 Miscellaneous (27)	1479.75	-0.2	14.21	6.13	8.08	51.26	1482.61	1501.33	1497.40	1943.40
49 INDUSTRIAL GROUP (480)	988.22	-0.2	12.65	5.46	9.69	28.08	989.93	1009.90	1006.99	1241.90
51 Oil & Gas (20)	2458.66	+0.2	10.16	5.09	12.88	72.16	2454.65	2453.28	2471.07	2241.80
59 500 SHARE INDEX (500)	1107.39	-0.1	12.23	5.40	10.11	31.65	1108.68	1123.47	1125.83	1326.75
61 FINANCIAL GROUP (107)	664.93	+0.4	-	7.14	-	29.35	662.24	676.40	675.94	811.59
62 Banks (9)	704.16	+1.1	21.21	8.16	5.64	41.50	696.79	719.82	714.91	828.43
65 Insurance (Life) (7)	1298.50	+0.6	-	5.91	-	37.79	1290.43	1318.35	1311.39	1213.86
66 Insurance (Composite) (6)	566.94	+0.2	-	7.48	-	24.94	565.64	575.28	569.19	667.75
67 Insurance (Brokers) (8)	788.72	+0.5	11.35	8.15	11.51	39.82	788.62	801.41	813.31	977.57
68 Merchant Banks (7)	344.03	-0.1	-	5.91	-	11.93	344.33	348.52	354.44	400.15
69 Property (47)	881.88	-0.4	8.75	5.56	15.16	23.74	885.67	896.02	910.03	1347.34
70 Other Financial (23)	245.59	+0.6	11.01	7.20	11.94	9.88	245.03	246.83	250.65	364.20
71 Investment Trusts (66)	1020.96	-0.6	-	3.87	-	23.74	1027.27	1040.42	1048.11	1270.40
81 Overseas Traders (5)	1195.05	-2.9	12.07	7.71	9.86	59.65	1230.75	1250.79	1270.02	1460.98
99 ALL-SHARE INDEX (678)	1000.73	-0.1	-	5.61	-	30.76	1001.50	1015.99	1017.95	1201.74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 18	Sep 17	Sep 14	Sep 13	Sep 12	Year ago
FT-SE 100 SHARE INDEX♦	2065.8	+1.8	2075.9	2061.6	2064.0	2094.3	2093.8	2127.1	2142.3	2369.4

FIXED INTEREST

PRICE INDICES	Wed Sep 19	Day's change %	Tue Sep 18	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	116.16	+0.08	116.06	-	9.23
2 5-15 years	120.34	+0.12	120.20	-	9.80
3 Over 15 years	120.82	+0.02	120.79	-	9.84
4 Irredeemables	139.59	+0.27	139.21	-	8.85
5 All stocks	120.81	+0.10	120.69	-	9.71
Index-Linked					
6 Up to 5 years	151.42	+0.08	151.29	-	2.46
7 Over 5 years	137.70	+0.02	137.68	-	3.12
8 All stocks	138.62	+0.02	138.59	-	3.06
9 Debentures & Loans	99.34	+0.09	99.25	-	8.62
10 Preference	73.60	+0.02	73.58	-	4.58

AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 19	Tue Sep 18	Year ago (approx.)
British Government				
1 Low Coupons	5 years	11.02	11.06	9.77
2	15 years	11.02	11.06	9.35
3	25 years	11.02	11.06	9.26
4 Medium Coupons	5 years	12.10	12.14	10.72
5	15 years	11.58	11.58	9.77
6	25 years	11.28	11.29	9.40
7 High Coupons	5 years	12.20	12.23	10.83
8	15 years	11.86	11.85	9.97
9	25 years	11.60	11.60	9.56
10 Irredeemables		11.13	11.15	9.31
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	4.67	4.70	3.10
12 Inflation rate 5%	Over 5 yrs	4.34	4.34	3.53
13 Inflation rate 10%	Up to 5yrs	3.42	3.45	2.24
14 Inflation rate 10%	Over 5 yrs	4.14	4.14	3.35
15 Debs & Loans	5 years	13.96	13.97	12.95
16	15 years	13.07	13.07	12.01
17	25 years	12.74	12.75	11.47
18 Preference		10.80	10.80	10.37

♦ Opening index 2075.7; 10 am 2068.8; 10 am 2073.2; 11 am 2065.5; Noon 2062.8; 1 pm 2064.7; 2 pm 2065.8; 3 pm 2066.5; 4 pm 2067.3; 4.10 pm 2066.5. (a) 8.33am (b) 11.34am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	17	28
Corporations, Dominion and Foreign Bonds	-	5	17
Industrials	233	488	844
Financial and Properties	93	225	423
Oils	15	33	41
Plantations	0	0	10
Mines	21	56	82
Others	53	81	105
Totals	467	905	1,550

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Covd.	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sept. 17
- Last Dealings Sept. 28
- Last Declarations Dec. 27
- For settlement Jan. 7

For rate indications see end of London Share Service

Calls in Aviva Pet., Conroy Pet., Ford Seller Morris Props., Ivernia West, Monarch Res., Pentland, Kenmore Res., Macarthy and Ladbroke. Puts in T. Cowie, Countryside Props. and Crest Nicholson. Put and call in Rossbaugh.

LONDON TRADED OPTIONS

IMPRESSIONS of healthy trading on the derivative markets yesterday belied what was effectively a tidying up operation related to the close of the September options period and similar activity in the futures market.

A total of 38,898 contracts were exchanged on the London Traded Options Market but aside from the 8,374 turnover in the FT-SE options most of the business was in closing down the September equity options as they reached yesterday evening's expiry deadline.

Analysts said this flattered the volume on what was essentially a quiet day. One trader said the disappointing aspect of the day was that business was not rolling over into the December options.

The top performer was British Gas with a turnover of 4,266 lots followed by Rolls-Royce – 2,681 lots and mainly intra-market trading, Trusthouse Forte – 2,319 lots, BT – 1,754 lots ahead of Oftel's presentation to brokers on the DTI duopoly review today, and Amstrad, which owed most of its 1,343 turnover to one trade which crossed 500 calls.

On the Liffe, dealers were switching over from the September FT-SE contract to the December contract. They said that this business accounted for up to 2,000 of the 7,187 turnover in the two issues.

The September Futures was at a 10-point premium in early trading, reflecting hopes of a strong morning session on the underlying equity market after Wall Street's overnight recovery.

However the expectations were not fulfilled and the September Future drifted lower, dragging the Cash Index with it.

In the afternoon the announcement by Mr Alan Greenspan, the chairman of the US Federal Reserve, that higher oil prices had pushed the US closer to recession sent the S&P's down. The September Futures followed and hit a 7-point discount at one stage but rallied later to close at 2,071 – a premium of 4 and around fair value – on a turnover of 5,924. The December issue was traded 1,263 times.

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO FT-SE INDEX (*2067)

[illegible]

FT-SE INDEX (*2067)

[illegible]

September 19 Total Contracts 38,898. Calls 23,783 Puts 15,115. FT-SE Index Calls 5,237 Puts 3,137. *Underlying security price.

UK COMPANY NEWS

Rockware slips 7% to below £6m

By David Owen

ROCKWARE GROUP, the packaging and printing company which is close to completing a major furnace rebuilding programme, yesterday reported a 7 per cent decline from £6.35m to £5.89m in interim *pre-tax profits*, as higher interest costs took their toll.

Following a £5.55m (nil) extraordinary charge and £2.23m (£2.06m) to cover an increased dividend payment, the Northampton-based company actually reported a £2.64m retained loss (£3.27m profit). Last time's results have been restated following changes in accounting policies.

Sir Peter Parker, chairman, characterised the period as one in which "we have cleared the decks and cut out areas of poor return". The shares, which have stabilised after falling quite sharply in August, were unchanged at 54p.

Turnover in the six months to June 30 fell by more than 6 per cent to £115.44m from £123.46m in 1989. A 6 per cent advance in operating profit was more than offset by a near £800,000 increase in interest payable to £3.83m. The gross interest charge for the period rose to £4.81m (£3.05m).

Trevor Humphries

Sir Peter Parker: we have cleared the decks in the period

The extraordinary charge was in respect of disposal and closure costs. Since the beginning of the year, the group has sold a computer listing paper business and a small printing operation, as well as closing its *RFP flexible* packaging business in Wales.

In July, it announced the disposal of its bulk household container plastics operation. The company has also lifted its stake in Dartington Crystal, the tableware and giftware company, from 75 to 95 per cent.

Operating profits from the group's dominant glass division rose to £5.56m (£4.65m) on turnover ahead 4.7 per cent to £74.76m.

The group said that the impact of increased energy prices was "a concern", notwithstanding efficiency gains realised from its refurbished furnaces. "Since July 1989, we have rebuilt or substantially improved nine out of 13 furnaces," said Mr Ernest Burton, finance director.

The restructuring had an impact on the plastics unit, where profit fell to £444,000 (£1.03m) on sales of £9.74m (£15.26m). Profits were also down somewhat in the printing, metals and crystal divisions.

Mr Burton said that metals margins had been diluted due to an increased level of battery case business. Rockware also manufactures casings for Parker pens and cosmetics where margins are higher.

Fully diluted earnings per share fell marginally to 3.01p (3.05p). An interim dividend of 1.3p (1.2p) is declared.

● COMMENT

The impeccably "green" cre*dentials of the humble glass* bottle as a packaging medium should combine with Rockware's heavy exposure to the food industry to make the group tolerably recession-resistant – even if the smaller printing and metals divisions find the going tough. The company expects year-end gearing to weigh in at a manageable 50 per cent and there is usually a marked seasonal turnover bias towards the second half. The main question-mark concerns the group's ability to pass on higher energy costs to its customers. With energy accounting for about 20 per cent of the price of glass-making, this is not a minor point. The company, however, expects its expenditure on fuel to remain stable at least until the final quarter. Assuming full-year profits of about £14m, the prospective p/e of just under 9 (allowing for an effective tax rate of 17 to 18 per cent) looks about right, especially as the likelihood of a hostile bid appears to have diminished. Remember, however, that a higher tax charge will probably eat into earnings in 1991.

Tony Berry claims against Manpower

By David Owen

MR TONY BERRY, the former head of the employment agency group Blue Arrow, has issued proceedings against his erstwhile employer – since renamed Manpower – to recover legal costs allegedly incurred during the current Department of Trade and Industry investigation.

Mr Berry is claiming £194,000 (plus interest and costs) under an indemnity allegedly given by the company in January 1989.

He is also seeking a declaration that he is entitled to be indemnified by the group in respect of all future costs incurred in connection with the DTI investigation.

The DTI launched its probe into Blue Arrow in May 1989. The inspectors were asked to look in particular at events surrounding a £25m loan by Blue Arrow to Chainrock Corporation, a company controlled by Mr Peter de Savary, the yachtsman entrepreneur.

The existence of the proceedings was revealed in documents circulated to Manpower shareholders giving notice of an EGM to be held in London on October 4.

Tony Berry: hopes to recover legal costs

The claim is disputed by the company.

The meeting has been called to approve last week's agreement to sell five UK subsidiaries to a management team for £106m cash.

The deal essentially completes the disposal of the companies which constituted the Blue Arrow Group prior to its acquisition of Manpower three years ago.

The documents also reveal that US-based State Farm Mutual Automobile Insurance Company was the purchaser of the 9.16 per cent stake in Blue Arrow sold by NatWest Investment Bank in February.

They indicate that the anticipated £100m net cash proceeds of the sale are to be used to reduce Manpower's outstanding revolving credit facility and various short-term loans.

Acquisitions provide impetus as Godfrey Davis improves 7%

By Andrew Jack

GODFREY DAVIS (Holdings), the textiles, car dealing and building services group which last February launched an unsuccessful takeover bid for Sketchley, the industrial services and cleaning company, lifted pre-tax profits by 7 per cent from £9.34m to £10.01m in the six months to June 30.

The company has written off the full cost of the abortive takeover with an extraordinary item of £965,000.

Group turnover rose 13 per cent to £168.33m (£147.33m) and earnings per share were up 7 per cent to 7.74p (7.25p). The interim dividend is 2.73p (2.6p).

Two acquisitions in the laundry division contributed most of the growth in turnover and half the increase in operating profits during the half year, according to Mr John Ivey, chief executive.

Slowing demand for work clothes affected Sunlight Workwear Services, but the two acquisitions – Practical Uniform Company and Co-operative Laundries Society – and strong linen hire and laundry performance lifted divisional turnover 46 per cent and operating profits 43 per cent.

Operating profits in the motor dealership fell 40 per cent, but in contract hire rose 51 per cent. *Interest charges* cut the pre-tax increase in hiring to just 2 per cent.

The decline in demand from the construction sector was offset by growth from schools.

The hospital market helped double operating profits and raised turnover by 50 per cent in support services.

● COMMENT

Godfrey Davis is still sometimes thought of as a motor dealership, though the division now contributes less than half of turnover. That perception has dragged down the company's shares as the motor sector has suffered.

It also creates a deceptively high level of gearing at 87 per cent, since car leasing financing costs appear on the balance sheet, even though they are passed directly on to customers.

The merger with Sunlight three years ago has diversified the company's businesses into less cyclical areas, forming a more solid base for steady growth.

Seasonal conditions should boost cleaning business in the second half, to help push full year profits to £22.5m. The shares are tempting on a multiple of 6.5.

Debt-laden AT Trust calls in receivers

By Andrew Hill

RECEIVERS HAVE been called in at AT Trust, the property, financial services and leisure group and the subject of two unsuccessful rescue attempts in the last six months.

A statement from the company yesterday indicated that debts had risen to *unsustainable levels. The shares had earlier* been suspended at 2½p, against the peak of 278p before October 1987.

AT was transformed from a loss-making engineering and leisure company called Astra Industrial Group when Mr Theo Paphitis took charge three years ago.

He resigned as a director in July, *when the latest rescue* plan was announced, and was replaced by a new management team from Energy Marine Industries, which has interests in engineering and waste management. EMI would have underwritten a £1.8m rights issue to reduce debt.

AT warned at the end of last month that the rights issue, which never took place, would not be enough to revive it.

NEWS DIGEST

Stonehill loss rises to £2.2m

STONEHILL Holdings, the furniture and property investment company, incurred a pretax loss of £2.2m for the year to the end of March, compared with profits of £1.64m last time, which benefited from an exceptional profit of £1.76m.

Again there is no dividend on ordinary shares and the company intends to cease payments on preference shares until the deficit on distributable reserves has been eliminated.

Mr James Buchanan, chairman, blamed high interest rates and the uncertain economic climate.

He added that the furniture side had been restructured with the completion of the sale of its manufacturing facility, which had released industrial space for letting.

The closure costs were the major part of an extraordinary charge of £3.87m.

Turnover was sharply lower at £5.76m (£13.06m) for an operating loss of £720,000 (£431,000 profits). The interest charge was higher at £1.48m (£551,000). The loss per share was 9.32p, against 4.06p earnings.

Ferromet hopes for maiden dividend

Ferromet Group, which mainly supplies raw materials from the US to the stainless steel industry in Europe and SE Asia, reports taxable profits of £423,500 for the six months to June 30.

This is against profits of £674,400 for the nine months, although that included a contribution for the period from Ferromet Resources, which was acquired in May 1989.

Turnover at £19.4m reflected a higher volume of scrap metal processed in the period and a lower dollar value of nickel, Mr Roger Wain, the chairman, said.

Cost of sales was £16.95m, administrative expenses £1.15m, and tax £176,100. Interest receivable was £69,100 against interest payable £942,352. Earnings per share stood at 0.12p.

Interest rates hit Cakebread Robey

Directors at Cakebread Robey & Co ascribed the fall in pretax profits in the half-year to June 30 to "the reduction in new house building brought about by the Government's policy of high interest rates". This had depressed demand, they said.

The taxable result at this builders' and timber merchant declined from £407,000 to £315,000, though turnover advanced to £13.45m (£12.8m).

The directors said that the merchanting division had "experienced extremely difficult market conditions" and that this trend was set to con*tinue for the rest of the year.*

Earnings dropped to 3.3p (4.5p) and the interim dividend is lifted to 0.9p (0.8p). This time there was an extraordinary profit of £204,000 (nil).

Brixton Estate advances to £10.05m

Pre-tax profits in the first half to June 30 at Brixton Estate were 4 per cent higher at £10.05m, against £9.66m. Stripping out a £1.52m contribution to the comparable results from property dealing, which has since been suspended, profits were up 23 per cent.

Group net rental income in the period under review rose 21 per cent from £16.14m to £19.58m with other income of £210,000 (£350,000).

Outgoings from administration and interest on developed properties came to £9.74m (£8.34m). After tax of £2.71m (£2.61m) earnings per share were little changed at 4.45p (4.29p). The interim dividend is being raised to 2.55p (2.2p).

Merivale Moore declines 39%

Merivale Moore, the property development and investment company, reported taxable profits down at £7.37m, against £12.11m, for the year to June 30. Turnover slipped to £59.47m (£60.54m).

Earnings per share fell to 35.8p (55.3p). The dividend is maintained at 10.5p, with a proposed final of 7.75p.

Since the end of the year, £23m of asset sales have been contracted or completed, including a £4m development site.

Net rental income rose 39 per cent to £4.17m (£3m), but other income showed a loss of £349,000 (£710,000 profit), and there was an extraordinary loss of £56,000 (£5.46m profit).

Interest charges took £7.9m (£6.64m), minority interests £178,000 (£62,000) and tax £2.22m (£4.25m).

Benchmark in red with £0.42m loss

Shares of Benchmark Group fell 2p to 11p yesterday after the financial services concern unveiled pre-tax losses of £424,000 for the 12 months to end-June.

"It has been a difficult year overall and it is hard to project the performance of the group in current market conditions" said Mr Adrian Evans, group managing director.

"However, the business remaining following the closure of Charlton Seal Schaverien (CSH) should return the group to profit" he added.

The deficit compared with profits last time of £1.85m. The loss per 20p share emerged at 0.84p, against earnings of 3.15p and the final dividend is passed leaving the total for the year at 0.75p (1.625p).

The disposal of the CSH stockbroking business to Wise Speke, the Newcastle-based stockbroker, for a nominal sum was completed in July. Benchmark's decision to withdraw from private client stockbroking follows losses of £1.12m for the year under review. A further £1.66m was taken below the line to cover closure costs.

The banking side lifted profits by 10 per cent to £1.73m. *Liquidity* remained high, the company stated. The investment division, on the other hand, incurred losses of £989,000 reflecting a decision to take provisions against property developments which are completed but unsold.

RPS edges ahead to £907,000

RPS Group, a consultancy service on environmental planning and property dealings, *increased taxable profits* from £856,000 to £907,000 for the six months to June 30.

Turnover for the USM-quoted group amounted to £4.78m (£4.52m), but interest charges rose to £71,000 (£26,000) and interest received was nil, compared with £16,000.

Tax took £317,000 (£300,000) and earnings per 3p share emerged at 5.03p (4.75p). The interim dividend is raised to 1.4p (1.2p).

Gloomy Bentalls dives to £0.3m

Difficult trading conditions in the retail sector were well illustrated yesterday by Bentalls, the Kingston upon Thames- based department store group.

In a statement accompanying interim results more than halved to £301,000, Mr Edward Bentall, chairman, said: "Trading remains extremely tough and I do not expect spending habits to change until interest rates are reduced."

The decline from last time's £623,000 came on turnover off some 4 per cent at £30.66m. Earnings per 10p share dived to 0.46p (0.9p) but the interim dividend is maintained at 0.6p.

Micro Focus nearly trebled at £7.13m midway

Micro Focus Group, a software company, continued its recent rapid growth with taxable profits for the six months to July 31 almost trebled at £7.13m, against £1.46m.

Revenue from the direct sales of standard software to corporate computer departments, mainly in the US, "significantly exceeded" plan.

Sales to computer manufacturers, which now account for 30 per cent of revenue, accelerated so much that the planned profit contribution for the year had already been made.

The effects of the stronger pound resulted in a currency adjustment charge of £1.06m, which was taken below the line, leaving retained profit carried forward at £6.47m, against losses 12 months ago of £354,000.

Mr Paul O'Grady, chairman, said that sales momentum and growth of orders in the direct business, which now represented 63 per cent of sales, was continuing.

A similar improvement was *expected in the second* half.

The company continued to generate cash and ended the period with net cash of £14.9m, having risen £1.4m in spite of capital spending of £900,000 and an increase in staff.

Turnover increased from £14.81m to £23.3m.

Tax took £2.78m (£3.21m) for earnings per share of 34.2p (39.4p) or 32.2p (37.4p) fully diluted.

The shares rose by 10p to close at 798p.

The comparatives have been restated to reflect the new US policy for software products.

Notice of Redemption to the Holders of

ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL)

U.S.$100,000,000

Floating Rate Debentures due 1987

Convertible at the holders' option into

9½% Fixed Rate Debentures due 1995

Guaranteed by the Republic of Italy

Notice is hereby given that, pursuant to Clause 5 of the Terms and Conditions of the Debentures of the above issue, THE SUMITOMO BANK, LTD., as Fiscal Agent, has drawn by lottery, for redemption due on 28th October, 1990, at 100% of the principal amount thereof, bearing the following serial numbers.

From		From		From	
246 to	315	2666 to	2800	4946 to	4975
325 to	346	3404 to	3700	5097 to	5315
1824 to	1840	4001 to	4140	5340 to	6630
1992 to	2000	4141 to	4245	7060 to	7178
2543 to	2556	4274 to	4280	8991 to	9000

The Debentures specified above will become due and payable in U.S. Dollars by surrendering them for payment together with all unmatured coupons appertaining thereto, at the specified offices of the Paying Agents.

From and after 28th October, 1990, interest on the above-mentioned Debentures will cease to accrue.

The aggregate amount of the Debentures remaining outstanding after 28th October, 1990 will be U.S.$41,250,000.00.

The Sumitomo Bank, Limited.
Fiscal Agent

NEWS INTERNATIONAL PLC
US$ 150,000,000 8¾% BONDS DUE 1991
CONVERTIBLE INTO US$ 150,000,000 FLOATING RATE NOTES DUE 1991

For the period from September 20, 1990 to December 20, 1990 the Notes will carry an interest rate of 8 1/16% per annum with an interest amount of USDOL 213.28 per USDOL 10,000 Note. The relevant interest payment date will be December 20, 1990.

BANQUE PARIBAS LUXEMBOURG
Société Anonyme
Agent Bank

SOCIETE GENERALE
USD 300,000,000
FLOATING RATE NOTES
DUE 1996

For the period September 19, 1990 to March 19, 1991 the rate has been fixed at 8% P.A.

Next payment date: March 19, 1991

Coupon nr: 9

Amount:
USD 402,22 for the denomination of USD 10.000
USD 4.022,22 for the denomination of USD 100.000

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, avenue Emile Reuter
LUXEMBOURG

The Molson Companies Limited

(Incorporated with limited liability under the laws of Canada)

U.S. $20,000,000 Floating Rate Notes
Issue date 21st May 1987
Maturity date 21st May 1992

For the three month interest period from 20th September 1990 to 20th December 1990 the rate of interest on the notes will be 8 1/16% per annum. The interest payable on the relevant interest payment date will be U.S. $10,190.10 per U.S. $500,000 note.

Morgan Grenfell & Co. Limited
Reference Agent

Financière Saint Dominique

FINANCIERE SAINT DOMINIQUE CONFIRMS ITS 1990 FORECASTS

FINANCIERE SAINT-DOMINIQUE, a 60% subsidiary of Crédit National (France) has become one of the continental key player in equity funding for unlisted companies and is providing all the associated financial services.

Quoted on the Paris Bourse since 12th June 1990, it announces the following for the first eight months of the current year :

Continuing high level of investment activity in 1990 : investment decisions (including managed or co-managed funds) taken for the period up to the end of August involve FF 800 million, equivalent to the total investment commitments made for the whole of 1989.

The investment commitments made include the following :

ESCADA (leading German company in the area of de luxe couture), SOPALI and EMIN LEYDIER (packaging and cartons), SICLI (extin guishers), ACOVA (radiators), MARIE BRIZARD GROUP, DASSAUD (Silversmith, "Tout Inox" brand), GUILLIN (packaging), CATERAIR (Catering).

The profits for 1990 should easily confirm the figures originally forecast (FF 112 million) : consolidated net profits for the period to 30th June, 1990 were FF 42.6 million. Including FF 69.1 million of capital gains realised since this date (BENNES MARREL, SATAL, AMS Packaging) as well as other capital gains in the process of realisation, the consolidated net profit for the year should show an increase of more than 50 % over that of last year FF 112 million.

Consolidated net assets on a revalued basis (hardly sensitive to stock market developments) : amount to FF 243 per share and represent a particularly attractive investment opportunity at the current FINANCIERE SAINT-DOMINIQUE share price. This value has been only affected by a 2% decrease since June 1990 because of the adverse stock market conditions (the listed companies only account for 23% of the consolidated net revalued assets of the company).

FINANCIERE SAINT-DOMINIQUE remains very liquid taking into account the capital increase which occurred in June. Its consolidated balance sheet shows available cash resources of more than FF 800 million (representing more than one third of revalued assets), which thus provides the group with the opportunity to take advantage of attractive investment opportunities.

Total funds available for investment amount to FF 5 billion, including funds managed directly as well as those which are jointly managed (unconsolidated).

Address : 48 bis rue Fabert 75007 Paris France
Telephone : (33) 149 55 70 00 - Telefax : (33) 1 45 55 63 28

CPM / BROAD STREET

Brixton Estate

International investors in commercial property

Interim Report 1990

	Six months to 30th June 1990 £000's	1989 £000's	Year 1989 £000's
Net Rental Income	19,577	16,139	35,705
Investment Profit	10,048	8,146	18,670
Profit before Tax	10,048	9,664	20,427

Six months' figures unaudited

☐ 21% increase in net rental income.
☐ 23% increase in investment profit.
☐ Interim Dividend 2.55p per share – up 16%.

A copy of the full Interim Report, which has been sent to all shareholders, may be obtained from: The Secretary, 22-24 Ely Place, London EC1N 6TQ.

Brixton Estate

UK COMPANY NEWS

Disposal of 42.8% stake in Soporcel could raise up to £200m

Wiggins Teape plans Portuguese sale

By John Thornhill

WIGGINS TEAPE Appleton, the UK paper group which was demerged from BAT Industries earlier this year, yesterday confirmed it was considering the sale of its 42.8 per cent interest in Soporcel, the Portuguese pulp mill.

The sale of the holding could raise between £150m and £200m.

Wiggins Teape said it had been forced to make the announcement as a result of "lots of rumours floating around in Portugal."

Mr Stephen Walls, Wiggins Teape's chairman and chief executive, said preliminary discussions had been held with several paper companies but any buyer would also have to win approval of the company's remaining shareholders and the Portuguese Government.

Mr Walls said the sale of its stake in Soporcel would enable the group to expand in higher value-added sectors of the paper industry.

"Our strengths are away from the commodity ends of the market in the high value-added branded sector of the paper market. This sale would give us the opportunity to reconfigure our portfolio of businesses," he said.

The sale would not disturb, but would rather create, a balance in Wiggins Teape's requirements for eucalyptus pulp, he added.

Some analysts said the proposed move would represent something of a reversal of Wiggins Teape's previous strategy since, at the time of its demerger, it had made a great virtue of being vertically integrated in the paper market.

But Mr Tim Rothwell, an analyst at Barclays de Zoete Wedd, said: "Given the state of the pulp market it is not surprising that they would be looking to replace the earnings stream from Soporcel with something more promising."

Pulp prices have proved highly unstable over the last year and earlier this month Wiggins Teape blamed this instability for a 9 per cent fall in its interim pre-tax profits.

The Soporcel pulp mill is one of the largest pulp mills in the European Community. Soporcel, which is listed on the Lisbon stock exchange, has a market value of about £450m but its shares are thinly traded.

Wiggins Teape's shares firmed 4p yesterday to close at 160p.

Prudential reviewing smaller investments

By Richard Lapper

Prudential Corporation, the UK's biggest institutional investor, is undertaking a review of its smaller investments of less than £500,000.

Mr Hugh Jenkins, the chief executive of Prudential Portfolio Management, the Pru's investment management arm, denied press reports that it had suspended temporarily investments in smaller companies.

"We'd be just as critical of small holdings in a big company as in a smaller one," said Mr Jenkins. Prudential was keen to actively manage its investments. "It is incumbent on us to understand companies and have a relationship with them."

The review was launched last month and reflected a policy of "sensible portfolio management".

"We have a number of tiny holdings within the portfolio. We had to ask the question do we want to build up that stake," said Mr Jenkins, adding that the review had "nothing to do" with the state of the equity market.

"There comes a time when you start taking stock. We manage 90 separate portfolios which inevitably collect stocks, some of them which are leftovers. We need to have look at them and ask what the rationale is for keeping them."

Steel Burrill Jones gains 53%

By Richard Lapper

STEEL BURRILL Jones, the fifth biggest listed UK insurance broker, yesterday reported a 53 per cent rise, from £3.09m to £4.73m, in pre-tax profits for the six months to June 30.

Mr Tony Keys, finance director, said that underpinning the strong performance was underlying growth in brokerage and fee income of 21 per cent. Hardening rates in the marine and specialist marine markets, in which SBJ has traditionally specialised, are one of the reasons.

Moreover, SBJ is now benefiting from recent acquisitions, which have allowed some diversification into non-marine reinsurance and corporate risks broking.

Income from the non-marine reinsurance brokers Meacock Samuelson and Devitt, part of the Devitt Group which was acquired in May 1989, was the main reason for a 71 per cent increase in revenues from £8.68m to £14.79m.

Earnings per share rose 19 per cent from 8.28p to 9.89p. An interim dividend of 4p represents an increase of 33.3 per cent, compared with last year.

● COMMENT

In spite of patchy trading conditions, recent acquisitions by SBJ have left the company more diversified and well positioned to take advantage of any hardening in the reinsurance market. With half-year profits slightly ahead of expectations, the company looks set to record profits for the full year of between £9m and £10m. This should guarantee growth in earnings per share to between 18p and 19p (compared with 16.4p in 1989). At yesterday's price of 235p, earnings would be on a multiple of 13, about average for the sector. But with growth prospects for next year also fairly buoyant, the share may well be underpriced.

Woodchester up 13% to I£13m

By David Lascelles, Banking Editor

WOODCHESTER Investments, the Irish financial services company caught up in a UK monopoly and merger investigation, yesterday reported interim profits up 13 per cent.

Pre-tax profits were I£13.11m (£11.9m) for the six months to end-June, up from I£11.62m. Earnings rose 18 per cent to 7.01p per share.

At the end of last month, Mr Peter Lilley, the trade and industry secretary, referred to the MMC the proposed acquisition of a 45 per cent stake in Woodchester by Credit Lyonnais, the state-owned French bank.

The immediate effect was to deprive Woodchester of the use of the new funds from CL, and this was costing it about I£950,000 a month. Woodchester has also been forced to keep in a separate account the I£12m proceeds of July's rights issue, meaning they can neither be used nor earn dividends for shareholders.

Mr Craig McKinney, chairman, said that the structure of CL's proposed purchase would not effectively increase its stake in Woodchester beyond the 29.9 per cent level at which it currently stands. This was because the Compagnie de Navigation Mixte, another French financial group, intended to buy 34 per cent of the acquisition vehicle, CBG.

The deal had also been approved by the Takeover Panel and the Irish monopoly authority.

The interim result is the company's first not to be swollen by an acquisition. Mr McKinney said the group was trading "very satisfactorily", and while the UK part of the business was affected by the slowdown, the Irish side was benefiting from the buoyancy of the Irish economy. Prospects for the second half were good.

The interim dividend is increased by 26 per cent to 1.26p.

London Forfaiting in the black with £3.33m

By Peter Montagnon, World Trade Editor

LONDON FORFAITING, the specialist trade finance company, returned to the black in the first half with pre-tax profits of £3.33m, compared with a loss of £6.52m in the previous first half and an £8.8m deficit for the whole of 1989.

The half-year figures, which included a forecast of stronger recovery in the second half and an unchanged interim dividend of 2.625p, prompted a sharp rally in its shares, which closed 8p higher at 75p.

Mr Jack Wilson, chief executive, said the recovery reflected company policy of reducing bank borrowings as well as its loan book, while concentrating on trading and placing forfaiting paper with investors in the banking community.

Forfaiting involves lending by means of fixed interest negotiable medium-term credits. These are often denominated in D-Marks as the business was originally developed in central Europe to finance east-west trade.

Last year's loss followed a rise in D-Mark interest rates and economic uncertainties in eastern Europe.

In spite of the recovery, Mr Wilson said the company had positioned itself defensively with reduced bank borrowings to give a net gearing ratio of only 0.3 at end-June, compared with 2.3 a year earlier.

Although it had used cash generated by its earlier sale of forfaiting loans to pay back bank borrowings, it still had cash holdings of about £100m, compared with £321m at the end of last year. The forfaiting loan book had been further reduced to £166m from £191m at the end of last year.

Mr Wilson said higher margins in the forfaiting market, the company's broad placing power and reduced competition should help further develop the basic business.

However, some analysts argued that the net profit of £2.09m, against an £8.4m loss for the whole of 1989, still represents a modest return for a company with capital of £100m. Net profits were insufficient to cover the dividend payment, which costs £2.63m. Given the high earnings from cash investment this means that the core forfaiting business is still a long way from generating a strong return.

The 40 per cent stake previously held by British & Commonwealth Holdings, the failed financial services company, was placed earlier this year with institutions. As a result, Provident Mutual has increased its holding by 2.5 per cent to 11.2 per cent and Ensign Trust, the merchant navy pension fund, has emerged as a new shareholder with a stake of 7 per cent.

Alan Harper

Tesco outlines expansion plans

SIR IAN MacLaurin (above) was in buoyant mood yesterday as he announced a 28 per cent increase in pre-tax profits at Tesco, the supermarket chain, writes John Thornhill.

"We have created one of the finest brands in world retailing and we are doing a marvellous job for the United Kingdom consumer," he asserted.

Tesco's chairman also provided further details of the company's significant expansion programme which will cost about £950m this year. Five new stores and two extensions were completed during the previous six months and the group expects to open a further 18 stores in the second half, adding 1.02m sq ft of space in all.

The group currently has 381 stores with a net selling area of 9.25m sq ft. Of these stores, 146 are in the modern superstore format and account for 67 per cent of sales.

Tesco is also aiming to open 1.25m sq ft of selling space next year and said it already has a good number of sites for development in 1992-93.

Mr David Malpas, managing director, said: "We see a window of opportunity at the moment and we have made hay with our site searches while the sun has shone."

The company rebutted suggestions that the market might have too much capacity. "There is no sign at the moment of this so-called saturation level," said Sir Ian. "We scanned the whole of the UK a few months back and found that there were in excess of 200 sites we would like to trade from. There is still enough opportunity for the foreseeable future."

The company was sanguine about the arrival in the UK of Aldi, the West German discount retailing chain, and mutterings of price wars. "We welcome the advent of Aldi and others to come. We can live quite happily in our part of the market and they can live in theirs," Mr Malpas said.

Report on Booker merger with Fitch sent to DTI

By Clay Harris, Consumer Industries Editor

THE OFFICE of Fair Trading has sent its report on Booker's £290m agreed takeover bid for fellow food services group Fitch Lovell to Mr Peter Lilley, the Trade and Industry Secretary. He has until Tuesday to decide whether to allow it to proceed without referral to the Monopolies and Mergers Commission.

The issue rests on the companies' combined share of deliveries to caterers. Objections are believed to have been received from both suppliers and customers.

Mr Jonathan Taylor, Booker's chief executive, says he believes there is no sub-sector of the market where the enlarged group's percentage share would exceed the high teens. Yesterday he was cautiously optimistic. "We have had no inkling of any problem other than it is taking a long time to go through the due processes." The OFT has not mooted any modifications to the merger.

After the bid was announced on July 17, the review period was later twice extended, with the unofficial explanation that the delay was a result of summer holidays.

Mr Geoffrey Hankins, Fitch Lovell chairman, yesterday told what could have been the group's final annual meeting that his board "looked forward to a prompt and successful merger."

Nevertheless, Mr Taylor said, "One mustn't count chickens before they're hatched, particularly if you've got a poultry breeding business," as Booker has.

Booker speaks for more than 90 per cent of Fitch Lovell shares and has declared its offer unconditional. Its paper-and-cash offer yesterday valued the target's shares at 274p, against what is now largely a nominal market price of 270p.

BOC in £13m distribution deal

By David Owen

BOC, the industrial gas and healthcare group, is buying a large portion of the distribution assets of SmithKline Beecham's UK consumer brands division in a transaction valued at £13m.

The acquisition will expand BOC's 17-site UK distribution network by a further eight locations and increase its fleet of vehicles from 500 to 610.

The deal enables SmithKline Beecham to concentrate on developing its consumer products.

"Following the disposal of some of our food and drinks brands, our distribution system has spare capacity which can be utilised by BOC distribution services," said Mr David King, chairman of SmithKline Beecham Consumer Brands UK.

SmithKline Beecham Consumer Brands UK will award BOC a five-year distribution contract, worth over £15m a year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Assoc Fisheries ......int	1	Oct 31	1	-	6
Barratt Devlpmts......fin	5.79	Nov 16	10.18	9	13.39
Benchmark ....fin	nil	-	0.875	0.75	1.625
Bentalls ....int	0.6	Nov 9	0.6	-	3.85
Brixton Estate ....int	2.55	Oct 27	2.2	-	6.1
Cakebread Robey ...int	0.9	Jan 4	0.8	-	2.7
Davis (Godfrey) ....int	2.73	Oct 29	2.6	-	7.85
Kleinwort Dev ....fin	6.09	Dec 3	5.2	8.6	7.5
Londn Forfaiting.......int	2.625	Oct 29	2.625	-	7.25
Merivale Moore ....fin	7.75	Nov 10	7.75	10.5	10.5
Riv & Merc AmCap .2in	1.8	-	1.6	-	6.4
Rockware ....int	1.3☆	Nov 19	1.2	-	2.5
RPS 5 ....int	1.4	Oct 25	1.2	-	2.8
SD-Scicon ....int	0.275	Nov 12	0.275	-	0.75
Steel Burrill ....int	4†	Nov 5	3	-	11
Tesco ....int	1.7☆	Nov 28	1.41	-	4.3
Tor Inv inc ....fin	12	-	21.75	36	30
Tor Inv cap ....fin	3.6	-	3	3.6	3
Trade Indemnity ......int	0.9	Nov 1	0.66	-	1.9
Woodchester Invs ....int	1.26♣	-	1	-	2.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish pence. ☆Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- APV, Baynes (Charles), Bemrose, Bilston & Battersea, Boustead, Britannia Group, England (J), Fired Earth Tiles, Fosseco, Goal Petroleum, Guinness, Highcroft Inv Trust, Hornby, Johnston Press, Jove Inv Trust, Laporte, MB, MTL Instruments, Meleys, Morrison (Wm) Supermarkets, Oliver, RMC, Secure Trust, Sindall (William), Spring Ram, Tavener.

Finals- Alumasc, Dowding & Mills, Glaxo, Logica, Sheldon Jones, Westpool Inv Trust.

FUTURE DATES

Interims-

Bank of Wales	Oct. 3
Harding	Sep. 27
Hi-Tec Sports	Oct. 9
Hunting	Oct. 8

Finals-

Barry Wehmiller Intl	Oct. 2
North American Gas Inv	Sep. 28
Renishaw	Sep. 28

PUBLIC WORKS LOAN BOARD RATES

Effective September 19

Years	Quota loans repaid by EPT	A††	at maturity§	Non-quota loans B* repaid by EPT	A††	at maturity§
1			13⅝			14⅜
Over 1 up to 2	13⅜	13⅜	12¾	14⅜	14⅜	13½
Over 2 up to 3	13	12⅞	12⅜	14	13⅞	13⅛
Over 3 up to 4	12⅝	12⅝	12⅜	13⅝	13⅝	13⅛
Over 4 up to 5	12½	12⅜	12⅜	13½	13⅜	13⅛
Over 5 up to 6	12⅜	12⅜	12⅜	12⅞	12⅞	12⅞
Over 6 up to 7	12⅜	12⅜	12½	12⅞	12⅞	13
Over 7 up to 8	12⅜	12⅜	12⅜	12⅞	12⅞	12⅞
Over 8 up to 9	12⅜	12⅜	12⅜	12⅞	12⅞	12⅞
Over 9 up to 10	12⅜	12½	12⅜	12⅞	13	12⅞
Over 10 up to 15	12⅜	12⅛	11⅞	12⅞	12⅞	12⅜
Over 15 up to 25	12⅛	11⅝	11⅜	12⅝	12⅛	11⅞
Over 25	11½	11⅜	11¼	12	11⅞	11¾

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	273	Ass. Brit. Ind. Ordinary	275	-1	10.3	3.7	7.4
38	19	Armitage and Rhodes	24	0	-	-	-
210	115	Bardon Group (SE)	115	-8	4.3	3.7	11.2
125	75	Bardon Group Cv Pref (SE)	75	0	6.7	8.9	-
123	69	Bray Technologies	70	0	4.7	6.7	11.5
110	82	Bremhill Conv. Pref	82	0	11.0	13.4	-
318	285	CCL Group Ordinary	309	0	18.7	6.1	2.4
176	160	CCL Group 11% Conv.Pref	160	0	14.7	9.2	-
230	140	Carbo Plc (SE)	220	0	7.6	3.5	12.9
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
5	0	*Magnet Gp Non-Voting A Cov	0.1	0	-	-	-
5	0	*Magnet Gp Non-Voting B Cov	0.1	0	-	-	-
130	49	Isis Group	49	0	8.0	16.3	2.8
145	58	Jackson Group (SE)	97	0	4.3	4.4	8.7
345	243	Multihouse NV (AmstSE)	240	0	-	-	-
158	98	Robert Jenkins	142xd	1	11.0	7.7	4.2
467	317	Scruttons	317	0	20.0	6.3	8.8
178	106	Unistrut Europe Conv Pref	173	0	10.7	6.2	-
395	227	Veterinary Drug Co. PLC	225xd	0	22.0	9.8	6.0
386	278	W.S Yeates	365	0	16.2	4.4	30.4

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of TSA

These securities are dealt in strictly on a matched bargain basis. Neither Independent Companies Exchange Limited nor Granville Davies Limited are market makers in these securities

* These securities are dealt on a restricted basis. Further details available

Independent Companies Exchange Limited
77 Mansell Street, London E1 8AF
Telephone 071-488 1212
Member of TSA

Granville Davies Limited
77 Mansell Street, London E1 8AF
Telephone 071-488 1212
Member of The ISE & TSA

YCM INVESTMENTS N.V.
US$ 70,000,000 Guaranteed Secured Floating Rate Notes due 2001

In accordance with the terms and conditions of the Guaranteed Secured Notes, notice is hereby given that for the period from September 20, 1990 to March 20, 1991, the Guaranteed Secured Notes will bear interest at the rate of 8.4375% per annum.

The relevant interest payment date will be March 20, 1991 and the amount of interest payable in respect of each $100,000 principal amount of Guaranteed Secured Notes will be USD4,242.19.

Banque Générale du Luxembourg S.A.
Agent Bank

BANQUE NATIONALE DE PARIS
USD 300 million Floating Rate Notes 1985-2095

The amount of interest for the interest period beginning on 17.04.90 and ending on 17.10.90 as fixed by the reference agent will be USD 4166.70 per USD 100,000 notes being a rate about 8.20266 per cent.

Cardiff Automobile Receivables Securitisation (UK) plc

£328 million Floating Rate Notes Due 1995

In accordance with the provisions of the Notes, notice is hereby given that on the next interest payment date, being 27th September, 1990, there are no available Redemption Funds. Hence, no Notes will be redeemed on that date. The principal value of the Notes outstanding will therefore remain at £328,000,000.

Chartered WestLB Limited
Agent Bank

Recovery strategy built on a strong capital base is paying dividends

● Recovery strategy on course ● Interim pre-tax profits £3.3 million ●
● Net tangible assets of 104.5p per share ●
● Shareholders' funds of £104.5 million after interim dividend ● Strong liquidity and low gearing ●

1990 INTERIM RESULTS

Consolidated Profit and Loss Account	(Unaudited) 6 months to 30 June, 1990 £'000	(Unaudited) 6 months to 30 June, 1989 £'000	(Audited) Year ended 31st December, 1989 £'000
Net income before administrative expenses	6,631	(3,616)	(2,660)
Administrative expenses	(3,298)	(2,907)	(6,151)
Profit (loss) on ordinary activities before taxation	3,333	(6,523)	(8,811)
Taxation (charge) credit	(1,245)	2,576	410
Profit (loss) on ordinary activities after taxation	2,088	(3,947)	(8,401)
Earnings (loss) per share	2.09p	(3.95)p	(8.40)p
Dividend per share	2.625p	2.625p	7.25p

NOTES:—

1. Net income before administrative expenses comprises:

Trading income	4,642	7,109	13,816
Bank interest receivable and income from certificates of deposit	9,733	3,923	15,935
Bank interest payable	(7,744)	(14,648)	(32,411)
	6,631	(3,616)	(2,660)

2. An interim dividend of 2.625p per share has been declared payable on 29th October, 1990 to shareholders registered on 9th October, 1990.
3. Earnings (loss) per share are calculated on the profit (loss) after taxation and on the weighted average number of 100,000,000 ordinary shares in issue.
4. The results set out above for the year ended 31st December, 1989 are taken from the group's financial statements for that period which have been delivered to the Registrar of Companies and which carry an audit report that is unqualified and includes no other matters of adverse comment.
5. Copies of the interim report will be sent to the shareholders on 21st September, 1990 and will be available from the Company's Registered Office, International House, 1 St. Katharine's Way, London E1 9UN from that date.

LONDON FORFAITING COMPANY PLC

International House, 1 St. Katharine's Way, London E1 9UN
Telephone: 071-481 3410 Telex: 8812606 Fax: 071-480 7626

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SD-Scicon hit by £15m provision

By Alan Cane

SD-SCICON disappointed the City yesterday with interim results that were significantly worse than analysts had expected in spite of a profits warning last month.

Turnover on continuing businesses was up 10.7 per cent to £120.8m in the six months to June 30, but the company recorded overall losses of £9.79m following a "prudent" exceptional provision of £15m to cover losses on a number of fixed-price contracts.

In addition, there were losses from the company's West German subsidiary, since sold to Cap-Gemini-Sogeti of France.

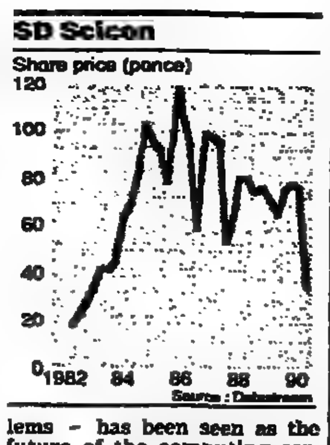
In the same period last year, the company made pre-tax profits of £1.06m.

Operating profits for the period more than doubled to £6.3m (£3m). Retained profits were £1.6m following extraordinary profits from the sale of Warrington Data Systems, a US subsidiary.

Losses per share worked through at 6.16p (0.37p) but the interim dividend is maintained at 0.275p.

Mr Ian Scoggins, SD-Scicon managing director for Europe, said that provision had been made against some 15 fixed-price contracts, five of them of significant size.

None of these had run into technological problems, but the difficulties involved in integrating the various components of the systems had been underestimated. The systems were working well but had cost more than estimated.



● **COMMENT**

Systems integration – putting together hardware and software to solve customer's problems – has been seen as the future of the computing services business, but in a number of cases – SD-Scicon included – is proving a graveyard. Analysts, furthermore, are exasperated with the company whose erratic performance over the past two years has damaged their faith in its management: "It is always jam tomorrow with SD-Scicon", one said. The chief cause of their concern is the way problems seem to catch the company's senior managers unawares. The fixed-price contract problems, most of them on the Systems Designers side of the company, only emerged after new managers carried out a far-reaching review earlier in the year. The company, nevertheless, has great potential and at 36p looks ripe for takeover; Cap-Gemini-Sogeti has not finished its European trawl after digesting Hoskyns. Analysts are predicting pre-tax profits of £11m next year giving a prospective multiple of 12.6.

Kellogg's cream rises to the top of a clotted Unigate

Clay Harris talks to Ross Buckland, soon to take a new post and under a heavy burden of expectation

MR ROSS Buckland, who becomes chief executive of Unigate on October 1, joins the dairy products and distribution group with the reputation of a man who can move a share price.

When his appointment was announced in July, Unigate's shares jumped by more than 5 per cent in a single day.

Last month, moreover, Mr Buckland was briefly credited with the ability to move blocks of shares as well. When Mr Larry Goodman unexpectedly sold his 8.8 per cent stake in Unigate, one of the reasons floated by the Irish agribusinessman's camp was his view that Mr Buckland's appointment was a watershed.

That flattering interpretation was soon revealed as "camouflage", as Mr Buckland generously puts it, when the extent of Mr Goodman's financial difficulties emerged.

However, Unigate-watchers in the City are attaching considerable importance to Mr Buckland's move after nine years as the Manchester-based head of UK and European operations for Kellogg, the world leader in ready-to-eat cereals.

In part, that is because Mr John Clement, chairman and chief executive since 1977, has dominated Unigate for so long. Now aged 58, he personally recruited Mr Buckland, who is 11 years younger. Mr Clement will remain executive chairman for at least two more years, but everyone else except the company secretary will report to Mr Buckland.

Mr Buckland brings 17 years of experience at Kellogg, starting in his native Australia, where he left school at 15 and studied at night to earn an accountancy qualification.

Recruited to Kellogg from Elizabeth Arden in 1973, he was chief executive for Australia and New Zealand and then president and chief executive for Canada before moving to the UK in 1981. When he left, he was Kellogg's highest ranking executive outside the US.

More significant than the arrival of a new face, however, is the earnings plateau on which Unigate has been stranded since 1987 and the challenge posed by the possible shake-up of the Milk Marketing Board and the problems of the vehicle finance sector, in which the company's Wincanton distribution subsidiary is a leading player.

Earlier this month, even after noting Mr Buckland's "very impressive credentials", Salomon Brothers put out a detailed circular which unequivocally listed the shares as a "sell".

Salomon concluded: "Much of Unigate's portfolio of businesses represents unfamiliar territory to Mr Buckland and he is unlikely to initiate any fundamental restructuring until gaining a thorough understanding of its relative strengths and weaknesses. We believe that this learning experience will reveal that the options open to him are extremely limited."

Mr Buckland's Unigate tuition begins with 42 separate visits to company facilities in October alone. "I join Unigate with as open a mind as possible," he said in an interview. "My intention from the outset is to absorb as much as I can in the shortest period possible, of what Unigate is about and what its future priorities and focuses are."

Ashley Ashwood

Ross Buckland: joining with as open a mind as possible

Ahead of that process, he was reluctant to be drawn into detailed discussion of Unigate's businesses or his plans. But he is clearly happy to be leaving a company which had to report quarterly, a requirement far too prone to distortion.

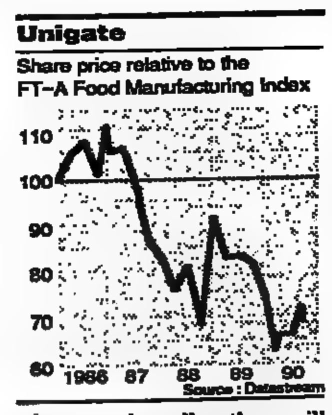
"Management must look to long-term profitability and investments that are consistent with long-term growth for the benefit of shareholders of the company," Mr Buckland said. "One, of course, cannot ignore short- and medium-term profitability, and I would like to think of the short term as being 12 months rather than three months or even six months."

Another change is moving from Kellogg, which manufactures only under its own brands, to Unigate which produces both branded and private-label products. He expects no problem.

"One could not operate in this country without a deep understanding of the own-label and private-label businesses." At Kellogg, that meant he was not only selling to retailers but competing with their own brands. "But the production of own-label and branded products is obviously not incompatible, British industry has proved that."

He dismisses "power" as a "nonsense word" in terms of the relationship between food manufacturers and retailers.

"Both must work for the consumer's benefit. Otherwise there is no justification for the existence of either. In any normal trading relationship, with a buyer and a seller, there will be pressures and discussions to insure that one is getting the best prices, the best value for money.



"Service levels are absolutely critical. No retailer or wholesaler is going to be happy if only 50 per cent of orders are delivered on time in the quantities that they want."

He is sanguine, with a touch of steel underneath, about how the food industry will respond to a break-up of the Milk Marketing Board or any change in the rules governing the dairy sector's mandatory middleman in England and Wales. Unigate buys milk not only for door-step delivery but also as raw material for its St Ivel and Shape range of dairy products.

"Any change can be managed, but most sensibly it ought to be at a pace that is digestible by all parties," Mr Buckland said. "Radical change is disruptive and distortive and potentially significantly negative for the community."

Potential corporate raiders will get short shrift from Mr Buckland. The 1986 attempt by his compatriot Mr John Elliott to buy Allied-Lyons was "an absolute nonsense", he said.

"I felt it would have been totally wrong for shareholders, employees and the community. To the extent that as an individual, or representing a company, one was able to join in voicing that, then I did so at the time", through representations to the Office of Fair Trading.

Leaving the internationally-minded Kellogg for a group in which the UK accounts for 82 per cent of turnover and the US for more than 15 per cent, Mr Buckland is sceptical about Euro-euphoria. "One thing there is not – and there is not going to be in the future – is a single European food market."

As president of Britain's Food and Drink Federation for three years in the late 1980s, Mr Buckland says he advised members: "First step back and ask yourself what you are and then what do you want to be? If you are a small manufacturer in Glasgow and you want to stay a small manufacturer in Glasgow, then fine, just be the best. If you are, you will continue to survive and to have a good business."

In that case, what does Unigate want to be? He takes a "rain check".

Gulf-related market weakness and second thoughts about Unigate's prospects mean its share price has lost all of its gains, and a few pence more, since its surge in July. He will be as happy as any shareholder if he can revive it.

Two days after his appointment was announced, he bought 10,000 Unigate shares. "I felt I should put some of my money where I'm putting the next decade or more of my working life."

NEWS DIGEST

Clarkson rises 26% to £6.22m

HORACE Clarkson, a shipping and insurance broker, reported taxable profits in the six months to June 30 ahead 26 per cent at £6.22m, against £4.92m.

Turnover was up from £19.16m to £23.52m, a rise of 23 per cent.

Mr Carron Greig, chairman, said he looked forward to reporting an overall improvement for the year as a whole.

After tax of £2.36m (£1.82m) earnings per share were 18.9p (15.3p).

The interim dividend is raised to 2.75p (2.5p).

Interest limits Telemetrix gain

Telemetrix, the expanding electronics and communications group, saw taxable profits for the first half of 1989 increase 3.5 per cent from £1.48m to £1.53m.

Trading profit more than doubled to £1.6m (£714,000). However, the use of funds to finance its acquisitions resulted in an interest charge of £68,000, against interest received of £764,000.

Turnover was 75 per cent higher at £33.35m (£19.01m).

Tax of £520,000 (£289,000) left net profits down but lower minorities of £206,000 (£448,000) resulted in earnings per share rising to 1p (0.9p).

Interlink ahead 24% to £6m

Interlink Express, the USM-quoted overnight parcels delivery service, raised taxable profits from £4.9m to £6.1m for the year to June 30.

The 24 per cent rise was achieved on a turnover of £48.78m (£42.34m).

There was an extraordinary write off of £4.2m (£202,000) as cost of withdrawing from Germany. UK margins fell and bad debts increased.

Interest payable totalled £23,000, against £295,000 received last year, and tax took £2.16m (£2.36m).

Group loss attributable to shareholders was £311,000, against profits of £2.41m.

Earnings per 5p share were 23.9p (16.07p).

It is proposed to maintain the final dividend at 4.25p for a total of 8.375p (8p).

Coloroll's home furnishings side sold

Receivers at Coloroll, the home products group which collapsed with debts of £400m in June, have sold its home furnishings business for an undisclosed price.

Coloroll Home Furnishings employs 800 people making duvets, pillows, floor coverings, bed linen and other textile products at its factories in Boston, Lancashire.

The purchaser is a company set up by Mr Jim Bristow and other members of the management team.

Mr Bill Roberts of Ernst & Young, one of the administrative receivers, said: "The home furnishings division is one of the largest businesses at Boston and we are glad that the management has been able to obtain institutional and banking support to secure the future of the business."

The receivers have already sold Kosset Carpets, Staffordshire Tableware, the Denby division, which also makes tableware, and the glassware and wallcoverings businesses.

They still expect to find a buyer for Edinburgh Crystal, but there has been little interest to date in the Crossley carpets business.

Mayborn back in the black

Mayborn Group reported pre-tax profits of £401,000 for the six months to end-June, compared with a loss of £107,000 struck after an exceptional charge of £645,000 in respect of its US Stahlwood Toy offshoot.

However, after a "disproportionately high" tax charge of £318,000 (£273,000), because of disallowable losses in the US, and the cost of the dividend, there was a retained loss for the period of £170,000 (£633,000).

Turnover increased to £15.61m (£13.35m) reflecting good trading by Jackel, the baby products company, and SFPC, the florists sundries supplier.

Earnings per share were 0.4p (2p losses) and the interim dividend is maintained at 1.3p.

The company's shares are traded on the USM.

THF joint venture with Aer Lingus

Trusthouse Forte has formed a joint venture company with Aer Lingus, the state-owned Irish airline, to build 15 Travelodge hotels combined with a Little Chef restaurant in Ireland over the next three years at a cost of £20m.

THF is taking a 75 per cent stake in the venture and Aer Lingus 25 per cent.

The Irish hotels will be sited in Dublin and other tourist centres and the first will be open next year.

The deal is part of THF's European expansion plans to develop budget hotel and restaurant facilities in partnership with a local operator.

Earlier this year it launched a joint venture deal with Spanish petrol retailer Repsol to build 100 hotels in Spain over the next five years.

THF already operates 400 Little Chef restaurants in Great Britain and 70 Travelodge hotels.

It believes the budget hotel sector is ripe for expansion for both business and leisure travellers.

Mr Rocco Forte, THF chief executive, said yesterday that "Ireland offers excellent opportunities, particularly for budget accommodation, and we are pleased to be joining forces with a partner who has so much knowledge of the business and tourism markets."

PUBLIC NOTICES

MMC INVITES EVIDENCE ON THE ACQUISITION OF BLUE BIRD SECURITIES LIMITED BY CALDAIRE (HOLDINGS) LIMITED

The Monopolies and Mergers Commission have been asked to inquire into the acquisition by Caldaire Holdings Limited of Blue Bird Securities Limited. Teeside Motor Services Limited is a subsidiary of Blue Bird.

The Commission will be studying the possible effects of the acquisition on competition in the market for commercial and contracted bus services in Durham and Cleveland. The Commission would like to hear from any person with information or views on this acquisition.

Evidence, in writing, should be sent by 5 October 1990 to: The Reference Secretary (Caldaire/Blue Bird), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

COMPANY NOTICES

DIMOSIA EPIHIRISIS ELEKTRISMOU (Public Power Corporation) ECU Denominated Floating Rate Notes due 1997

NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 21st September, 1990, the Notes will bear interest at the rate of 10¼% per annum. The interest payable on 21st December, 1990 against Coupon No. 17 will be ECU 26.3097 per ECU 1,000 nominal.

Fiscal Agent ROYAL BANK OF CANADA EUROPE LIMITED

HOECHST AKTIENGESELLSCHAFT D-6230 Frankfurt am Main 80

United Kingdom shareholders are advised that copies of the report on the 1st half-year 1990 are now available from:- S.G. Warburg & Co. Ltd. Paying Agency 2 Finsbury Avenue London EC2M 2PA

PERSONAL

OXFORD UNIVERSITY BUSINESS SUMMER SCHOOL MEMBERS' ASSOCIATION

A meeting to launch the Members' Association will be held at the Reform Club, Pall Mall, London, on the 18th October at 6.00 pm. For further details please contact: Jane Reed, OUBSS, Templeton College, Kennington, Oxford, OX1 5NY Tel: 0865 735007

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MALTA

The Financial Times proposes to publish this survey on:

15th October 1990

For a full editorial synopsis and advertisement details, please contact:

Henry Krzymuski on 01-873 3699

or write to him at: Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES

New Issue — This advertisement appears as a matter of record only — September 14, 1990

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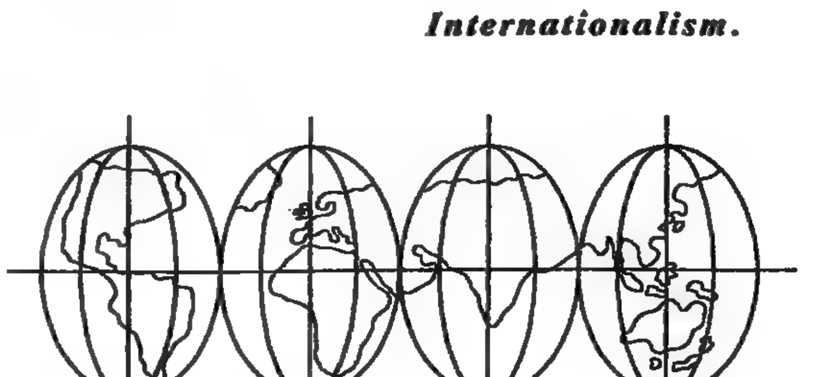

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FINANCIAL TIMES

The cat takes on a new life

John Griffiths examines the concept for a clean, efficient combustion engine

Dan Merritt could be forgiven for having slightly mixed feelings about the Gulf crisis and its harsh reminder of oil's vulnerability to supply disruptions and sharp price rises.

Accompanying as it does the worldwide wave of "green" sentiment which has brought vehicle exhaust emissions near to the top of the environmental agenda, it is likely to make even more urgent the search for cleaner and more fuel efficient vehicle engines. Electric vehicles have been one of the leading candidates for attention this year.

But the hope of Merritt, a principal lecturer in thermodynamics at Coventry Polytechnic, is that the new climate will encourage a major vehicle producer to help advance development of a different form of combustion engine – one claimed to provide 70 miles per gallon in urban driving in a small family car, and reduced exhaust pollutants without resorting to an external catalytic converter.

The MCC (Merritt Catalytic Combustion) engine concept is already acquiring a core of credibility, having won the top prize in this year's Honeywell/Sunday Times-sponsored British Innovation Awards after a previous appearance on the BBC's Tomorrow's World science programme.

Following recent presentations to General Motors, Ford, Chrysler and other parties, there is now "a strong possibility" of the concept being taken beyond the early prototype stage, according to Merritt.

It is claimed to be "the missing technological link" between diesel and petrol engines. Combustion is effected catalytically, within a platinum-lined combustion chamber, instead of by an electrical spark – as with a petrol engine – or simply by compression, as with the diesel.

The catalytic approach, which also involves delaying mixing the air and fuel vapour until the last possible moment, is claimed to overcome the disadvantages inherent in both petrol and diesel engines.

Petrol engines have their fuel and air mixed before entering the combustion chamber, allowing rapid combustion as soon as ignition takes place. This is good for efficiency and allows the engine to operate at high speed and develop a lot more power than a diesel. But the spark is necessarily brief, at one location, and will only ignite the mixture if fuel and air are in the chemically correct (stoichiometric) proportion. Little has to be wrong for combustion to fail.

Ironically, if less fuel is needed – when creeping along in traffic, for example – the air admitted to the engine must also be reduced proportionately or the mixture will not ignite at all. So the engine has to be throttled; a counter-productive approach since the engine then wastes power.

It is also impossible to completely burn a stoichiometric mixture quickly. So incomplete combustion produces poisonous carbon monoxide and unburned hydrocarbons. The combustion process is also very hot, oxidising not only fuel but nitrogen in the air – a factor in acid rain.

Catalytic converters deal with 90 per cent of such emissions. But these cars consume about 10 per cent more fuel than non-catalysts and emit 10 per cent more carbon dioxide.

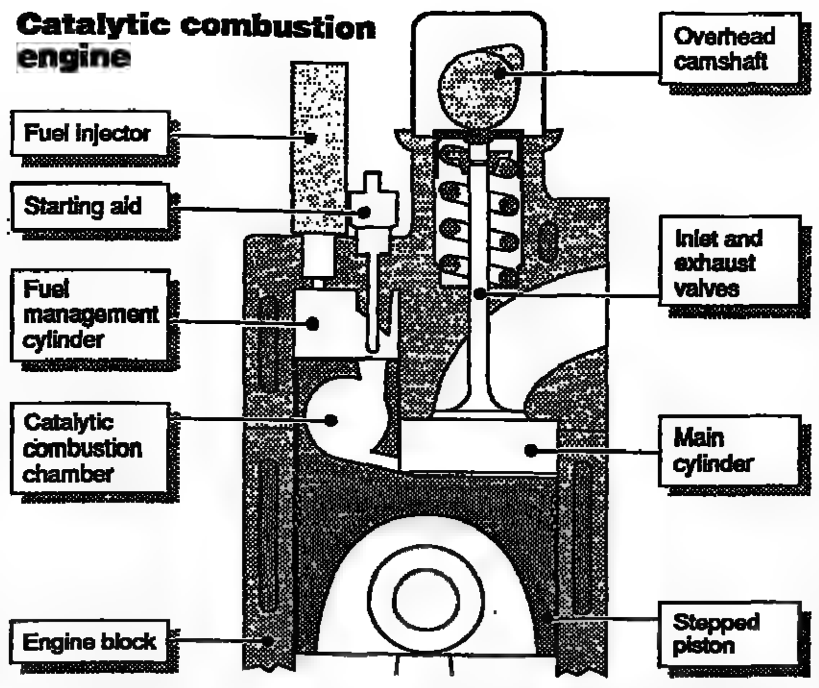
Diesels are nearly twice as efficient as petrol engines. Very high compression ratios can be used because fuel is not injected until after the air has been compressed, so that there is no danger of premature combustion. Very lean mixtures can also be used under light load and no throttling is required. So efficiency in around-town driving goes up, rather than down as with petrol engines.

Diesel combustion results from very fine fuel droplets coming into contact with the hot compressed air. After a slight delay while the droplets heat up, they burst into flame together without the need for a spark.

Disadvantages are the slight delay while the droplets heat up and their slow burn relative to a homogeneous petrol/air mix. Thus diesels are relatively slow-running; heavily built to allow for the high compression ratio; noisy, and the source of undesirable particulate emissions as well as nitrogen oxides.

One key element of the MCC engine is the separation of a rich fuel/air mix from the bulk of the induced air during compression, thus gaining the diesel's advantage of a very high compression ratio without the risk of premature combustion. The other is the igniting of this mixture by a platinum catalyst coating the entire combustion chamber, claimed to promote complete combustion and the near-elimination of exhaust pollutants.

The combustion chamber is housed in a cylindrical, vertical extension of the piston (see diagram). The extension itself is used as a secondary piston within the "fuel management" cylinder.



During induction, air is drawn into the large cylinder – but also into the small cylinder via the combustion chamber. Fuel, meanwhile, is being injected continuously into the small cylinder. A pressure differential across the combustion chamber keeps the mixture inside the small cylinder.

On the compression stroke, air is forced through the combustion chamber into the small cylinder, keeping the increasingly rich fuel/air mix in place in the small cylinder until shortly before the top of the piston's stroke. The mixture is then forced into the combustion chamber.

Combustion is very rapid because of the large surface area causing ignition, and the swirl-creating vortex of the combustion chamber design. As the piston moves down, the burning gases expand into the main cylinder, where combustion is completed.

Because the fuel is injected on to the upper surface of the secondary piston, which in normal operating conditions will be very hot, even low grade fuels such as kerosene could be used effectively.

The MCC engine is claimed to operate, in urban conditions, at 32 per cent efficiency compared with 14 per cent for a typical internal combustion engine and 43-44 per cent for one of the most efficient engines, a steam turbine.

The project has received £50,000 support from the Department of Trade and Industry, "but we really need £3m to get a running engine into a vehicle", says Dr Merritt.

Most important, however, he declares, is that "there should be an awareness that an alternative to the petrol or diesel engine does exist".

Synchotron packs in the microchips

Manufacturers of semiconductor production equipment are developing new machines to satisfy the requirements of chipmakers to pack electronic components more and more densely on to silicon.

As Japan has the largest concentration of major semiconductor makers, Japanese companies, backed in some instances by the Government, are highly active in this area.

Attention is focusing mainly on X-ray microlithography based on synchrotron orbital radiation (SOR), the same technology that Oxford Instruments is developing in the UK with funding from IBM.

Microlithography – the process used for etching a dense circuit pattern on a semiconductor substrate – is the cornerstone of integrated circuit fabrication. Systems have been developed using diverse radiation sources, including ultraviolet rays, excimer lasers, X-rays, electron beams and focused-ion beams.

Currently, volume production of microchips – especially the dynamic random-access memory (D-Ram) – relies on optical microlithography. However, the wavelength of ultraviolet light can only produce a minimum feature size of 0.35 microns – just enough for a 64 megabit chip.

SOR is powerful radiation emitted by electrons travelling at speeds close to that of light, bent by strong magnetic fields in circular accelerators known as electron storage rings or synchrotrons. X-rays generated by synchrotrons are highly directional, with an intensity 100,000 times greater than that produced by other sources.

While originally seen as instrumental in the development of 64 Mbit D-Rams, current thinking in Japan sees SOR as being key to the generation after that – 256 Mbit D-Rams, prototypes of which are expected to become available "in roughly three years," says Hideo Yoshihara, project team leader with Nippon Telegraph and Telephone (NTT) at the firm's LSI Laboratories in Atsugi. He adds that "64 Mbit technology will rely on deep trench optical lithography," a three-dimensional etching technique in which patterns are cut down into the substrate.

Japan's commitment to SOR is growing rapidly, and not just at NTT. The National Laboratory for High Energy Physics in Tsukuba plans to convert its particle accelerator into a large-scale SOR facility at a cost of about Y10bn over the next five years.

A consortium of 15 companies, with 15 more to join later, plans to begin construction of a Y9.5bn (£36m) SOR source in the Osaka area in 1993. Researchers from universities and public laboratories will be able to use the facility at low cost. Participating companies include Sumitomo Electric Industries, Mitsubishi Electric, Ohbayashi and Kansai Electric Power.

The Ministry of International Trade and Industry has also been active. MITI, which introduced Japanese semiconductor makers to microlithography in its five-year VLSI Co-operative Research Project in the late 1970s, continues to support research in this area. Last November Sortec, a research organisation established with MITI support in 1986 to conduct microlithography research, began operation of an SOR generator at its Tsukuba R&D centre.

Sortec expects the generator to have sufficient capacity to process 20-30 wafers per hour, which is about the same level as an optical microlithography system and much better than the four per hour from an electron beam machine. Matsushita has already developed an X-ray stepper from a Sortec design, and Sortec will use the device to develop a 0.25 micron fabrication process.

The Electrotechnical Laboratory of MITI's Agency for Industrial Science and Technology, in co-operation with Sumitomo Electric Industries, has also been busy. ETL has developed two types of compact SOR generator. After further tests, they will be used to manufacture industrial SOR generators in combination with a linear accelerator which Sumitomo will develop.

The Government's Science and Technology Agency is also developing SOR accelerators and is offering to co-operate with the governments of the US and EC member countries in developing SOR accelerators.

Stuart Dambrot

Snapping up the film market

RELIVING family holiday memories used to be a case of passing round a well-thumbed bunch of photos or turning off the lights to watch a crackly home movie.

With the home movie largely replaced by the video, however, it is now the turn of the traditional printed photo to come under siege.

In an announcement this week Eastman Kodak said that it had developed a way of transferring photographic images from 35mm film negatives or slides on to a compact disc. Inserting the disc into a compact disc player, designed by Philips, would mean that individual snaps could be displayed on the TV screen.

The move will help Kodak protect one of its core businesses, the photographic film, in which it is world market leader. The market for films is growing by 5 per cent a year, with over 50bn snaps taken worldwide last year, according to Kodak.

It will also pitch the US company in direct competition with the might of Japan's leading electronics and film manufacturers, such as Canon, Sony and Fuji, which are focusing their efforts on still video cameras. With these cameras the image is recorded on to a floppy disc, instead of on to the camera film, and the images then displayed on the television screen.

Still video cameras enable photographers to look at their snaps immediately and are relatively economical because the images can be erased and the disc used again. But several disadvantages have led to poor sales in the consumer market, particularly of the Mavica camera from Sony, the company which pioneered the technology.

The relatively high price – Canon's Ion camera, for example, costs just under £500 – makes them unattractive for the tourist and family market. But perhaps a bigger question mark hangs over the quality of the television pictures. With a still video camera the quality is limited by the speed of charge-coupled device – the specialist chip in the camera which determines the amount of information which can be recorded – and by the quality of the magnetic medium on which the images are stored.

Kodak, one the other hand, uses traditional chemical film, generally acknowledged as a far more sensitive medium for recording images. And by limiting the negative-to-CD conversion process to the professional processing house – not the consumer – it has been able to devise a high-quality scanning system which maintains the picture quality by digitising the 35mm image into 18Mbytes of information.

Nevertheless Kodak acknowledges that continuing developments mean still video cameras are improving all the time. "The big question is, when will the quality of electronic still cameras improve so that it will compete with traditional film," says Dan Carp, vice president and general manager of Kodak's European marketing companies.

Meanwhile Carp believes Kodak is offering the consumer the best of both worlds: the high quality picture produced by film together with the electronics which enable the images to be manipulated.

Kodak has yet to prove that consumers are willing to pay the £300 or so for the special CD player needed to view the snaps produced by its Photo CD system, in addition to the £12 that will be charged for putting a 24-shot film on to disc. (For high definition television consumers will have to invest in yet another player.) The professional processing companies will also have to invest in £60,000 of equipment to do the conversion from negative to CD.

Della Bradshaw

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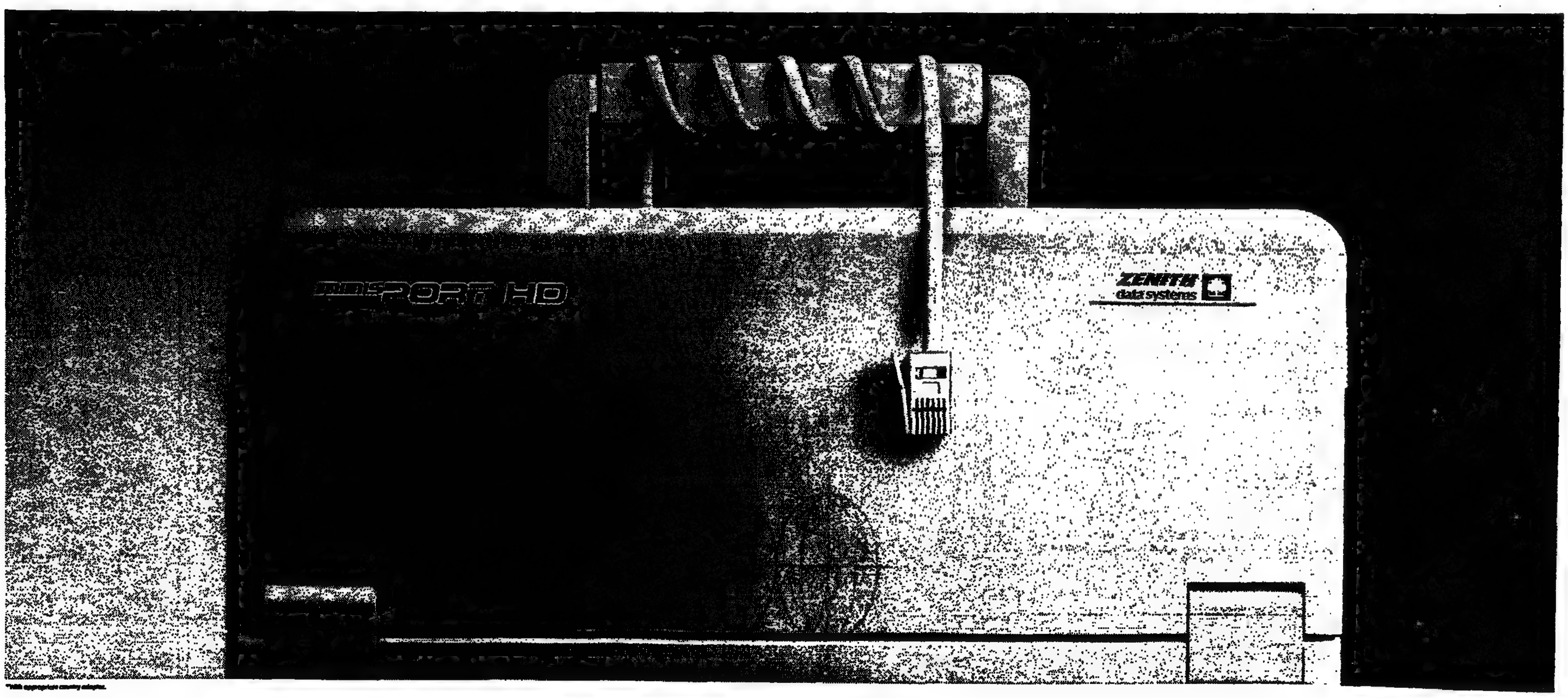

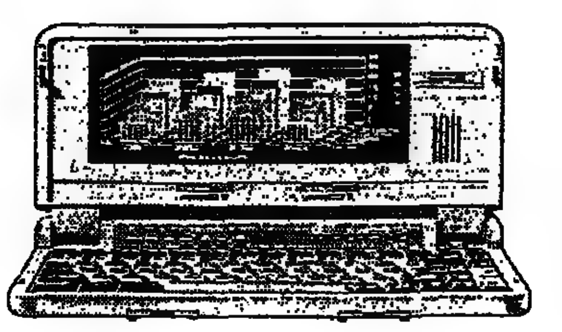

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COMMODITIES AND AGRICULTURE

Soviet oil production forecast cut further

By Richard Gourlay

THE SOVIET Union has cut further its forecast of crude oil output for this year, confirming a concern about the reliability of energy supplies from outside the Gulf which earlier this week drove Brent crude oil prices to an 8-year high.

The cut probably means a further fall in Soviet exports, mainly to the eastern bloc, but the oil will in any case be lost to the world market at a time when analysts are concerned that Kuwaiti exports may not be easily replaced.

Dr Yuri Chernegov, a deputy minister in the Kremlin Bureau of Fuel and Energy, yesterday said Soviet output of crude oil and condensates could fall 10m to 15m tonnes short of the Government's half-year estimate of 580m tonnes for the year. The new estimate is even further below the Government's 602m-tonne target.

Dr Chernegov told a conference on Soviet joint ventures that output would pick up in 1991 and denied that exports would be affected this year.

However, Prof Yevgeny Khartukov, head of the World Energy and Forecasting Group, the Moscow-based think-tank that does independent research for various Soviet ministries, said exports of crude oil were likely to fall by nearly 30 per cent this year to little more than 100m tonnes.

The new Soviet forecasts came as oil analysts at brokers County NatWest Woodmac forecast the UK would become a net importer of oil in December as a result of shutdowns in North Sea fields. North Sea production would fall 300,000 barrels a day below consumption in December mainly because of work on the Forties and Brent pipeline systems. In August production was "disappointingly low" at 1.66m b/d, the analysts said.

Brent crude oil for November delivery slipped 60 cents in late trading to $32.20 with analysts saying reports of higher than expected American gasoline stock figures triggering some profit taking.

Soviet production has been badly hit by shortage of supplies of oil pumping equipment, drills and pipes, most of which are made in the southern republic of Azerbaijan, which faced an almost total political and economic paralysis during January.

Then earlier this month leaders of the Soviet oil and gas workers in the enormous West Siberia oilfield threatened a strike unless they got goods to buy and better conditions.

These new factors come on top of steadily falling output since the peak in 1988 because of a depletion of reserves, a lack of advanced technology and a reduction in investment in the oil industry.

The Soviet Union produced 624m tonnes of crude oil and condensate in 1988 falling to 607m in 1989 and what seems a likely maximum of 565m tonnes this year. According to Prof Khartukov, Soviet product exports of 55m tonnes this year will be little short of last year's figure of 57.4m tonnes. The crude export fall this year from the 1989 level of 127.3m tonnes follows exports in 1988 of 144m tonnes, or 2.9m barrels a day.

Peruvian mines minister urges caution on pay rises

By Sally Bowen in Lima

MINERO PERU, the Peruvian state mining company, is heading for a $30m loss this year, according to Fernando Sanchez Albavera, Minister of Energy and Mines in the new administration of Alberto Fujimori.

"This means we must be very careful about granting wage rises," said the Minister. He criticised the "excessive flexibility, not to say irresponsibility," of wage concessions granted to state companies under the previous Government.

More than 3,000 Mineroperu workers have been on strike since August 17 after the new board of directors refused to honour a generous settlement made by their predecessors.

The Ministry of Labour was expected to give a final ruling on the strike yesterday, opening the way for a return to work. But, meanwhile, five strikers were injured, one seriously, when police used tear gas and gunfire to break up a protest march at Mineroperu's copper refinery in the southern port of Ilo.

"The current labour situation in Peru's private and state mining companies is quite different," Mr Sanchez Albavera said.

He pointed to the excellent pay settlement reached by American-owned Southern Peru Copper Corporation, the country's largest copper producer, with its workers after only four days of negotiations.

"State mining companies, however, are more directly affected by Peru's serious economic problems," the minister said. "Prudence will be needed in pay negotiations, which may mean conflict in the short term."

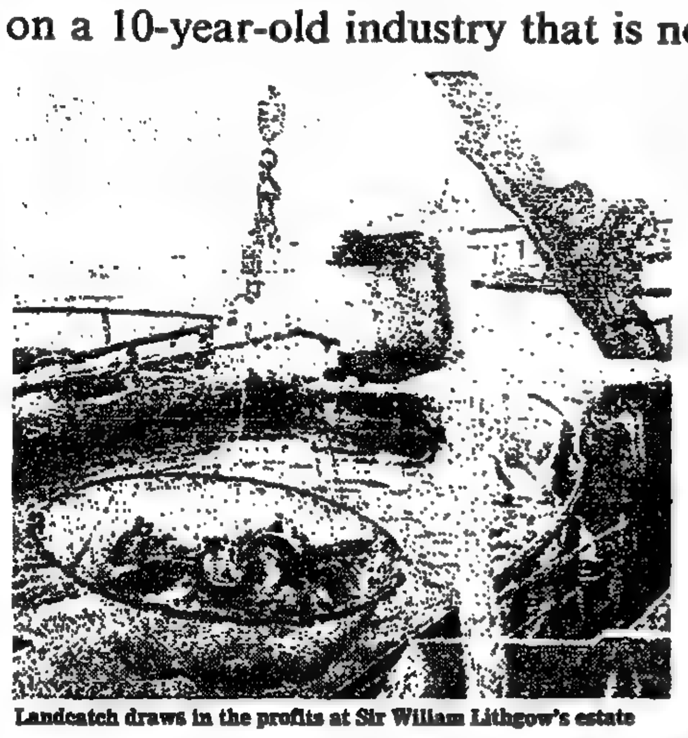
Salmon farmers net a rich highland harvest

David Blackwell on a 10-year-old industry that is now earning over £100m a year

A SALMON weighing more than 40 lb, wonderfully marked with a flash of silver down each side and rising majestically to feed, is a beautiful sight. Dozens of salmon that size, swimming purposefully against the current can mesmerise the viewer – even when the current is artificial and the fish are going round and round a giant tank.

The magnificent 40-pounders are the broodstock which will be stripped of their eggs and milt in a couple of months to produce millions of offspring in the hatchery at Landcatch, one of Scotland's biggest independent salmon farms. The people who work in the industry, which has been widely criticised on both environmental and food safety grounds, are proud of their fish and happy to show them off.

"If we lose four or five of them, it's a black tie job," says Mr Hugh Currie, chief executive of Landcatch.



Landcatch draws in the profits at Sir William Lithgow's estate

Salmon farming is big business in Scotland, even though it is little more than 10 years old. In 1980 some 600 tonnes of fish were harvested. By last year the harvest had reached 28,500 tonnes at £4,000 a tonne. Prices have remained static this year, but production is expected to rise to 35,000 tonnes, according to the Scottish Salmon Growers Association.

Perhaps more important is the fact that the new industry has brought much needed jobs to the Highlands and Islands, employing 6,300 out of a total population of 250,000.

The Landcatch farm, which employs 41 people, was started in 1980 on the 16,000-acre Ormsary estate in Argyll by Loch Caolisport. Sir William Lithgow, of the famous Glasgow shipbuilding family, was looking for ways of using the estate's resources, which included a couple of freshwater lochs 200 metres above sea level and a 10-mile frontage on Loch Caolisport. Sir William likes to describe the salmon project as "farming water."

The key to the whole project is an integrated hydro-electric power project, taking 10m gallons a day – enough for a town of 70,000 people – from the two lochs and producing 4.5m kw hours a year. Once the water has passed through the power station, it goes through the freshwater system used for the hatchery and smolts, as young salmon are known before they go to sea.

The result of the investment (£3m for the hydro scheme and £1.5m for the fish farm) has been the regeneration of the estate, according to Mr Currie, and profits of more than £1m a year before tax. Most dramatically the local school, which had only three or four pupils in 1980, had an intake of 17 last month and is now looking for a second teacher.

The whole project has been built to be as unobtrusive as possible. Pipelines are underground, and the tanks have been hidden by a large bank so that from the loch it is hard to spot where the fish farm is.

Speeding across the loch to the cages where the salmon are held for two sea winters before harvesting, seals flop lazily into the water and cormorants skim the waves. Only one seal has been shot this year for continually trying to break into a cage, and workers point out the abundant wildlife.

There is no doubt that the cages are not pretty, however carefully sited. Even black netting across the tops, far less intrusive than orange netting, leads to protests as seabirds cannot see it and dive after the tempting salmon to their deaths.

However, Sir William dismisses the complaints about unsightly cages vigorously. "What they want is a wilderness for a playground," he says. "I find the shining faces of the children at the school much more pleasing than the tourists."

On the shores of Loch Fyne, also in Argyll, the Otter Ferry fish farm does not use seawater cages in the loch to rear its salmon, but pumps the seawater into shore-based tanks. At the harvesting stage a tank of 25 metres diameter contains 2,000 salmon weighing around 3 kg.

Mr Alastair Barge, owner of the farm, has been able to expand to an adjacent farm, spending £600,000 to set up a similar unit capable of producing an annual harvest of 300 tonnes, three times the output of Otter Ferry, which was started in 1977. Before then the family had run an unprofitable sheep farm of 1,500 acres.

The good land has been kept, while the hill country has been sold for forestry – a fate which would probably have overtaken all the land but for fish farming.

Conducting the whole operation on land has several advantages, Mr Barge says. It reduces the risk of storm damage, attacks by predators, disease and algae blooms. Disadvantages include higher capital costs and pumping costs – 10,000 gallons a minute are pumped through the tanks at Otter Ferry. But these are offset to some extent by the lack of a need for boats and lower staff costs.

Both the farms earn a large proportion of their money by selling eggs and smolts to other companies. At Landcatch, between 16m and 20m eggs are harvested each year, while Otter Ferry takes 10m eggs, keeping about 800,000 for itself.

The health of the fish is obviously an important consideration – at the smolt stage there are 15,000 6-inch fish in a tank of 3 metres diameter. Fish farmers agree that stress is the most damaging thing the fish can be subjected to.

"The key to salmon farming is to keep stress to a minimum at all times," says Mr Currie. Landcatch spreads its cages across three sites in Loch Caolisport, Loch Fyne and the Shetlands, leaving one site fallow each year in rotation.

"We have got an awful lot to learn from conventional farming – this means that if there is any disease it does not spread to the different year's crops," points out Mr Currie. "We feel that it gives better life expectancy for the sites – it's good management practice."

Questions have been raised about the use of dichlorvos, which is on the Government's Red List of chemicals it wants to see eradicated, to cure sea lice, a common ailment. Mr William Crowe, chief executive of the Scottish Salmon Growers' Association, said that 460 operators had been trained to use the chemical, which is dangerous at the mixing stage. Areas around the cages where it has been used had shown no signs of being affected by use of the chemical, which is biodegradable.

However, the industry is sensitive to all criticism, and the search for an alternative is on.

The industry has also suffered several bankruptcies as the inexorable rise in production has hit prices. Earlier this year Norway introduced a scheme to freeze up to 40,000 tonnes of its projected output of 150,000 tonnes in an effort to restore credibility to its pricing system.

"It's a very high risk business," says Mr Currie. "If you have one bad year it's difficult to recover if you are undercapitalised to start off with."

Nevertheless, the activities of most bankrupt farmers have been taken over by other companies, and the industry is not contracting.

"It's a very young industry," says Mr Barge. "Now we're getting to second stage problems, which I think we are addressing quickly and in the best way we can."

LME shrugs off latest blow to Indonesian nickel outlook

By Kenneth Gooding, Mining Correspondent

THE NICKEL market yesterday brushed aside news that PT International Nickel Indonesia (PT Inco) had for the second time this year announced a substantial reduction in its expected metal production for 1990.

PT Inco said the explosion on August 31, which killed five people and put one of its three boilers out of action, would cost the output of 8m lb of nickel this year, taking the forecast total down to 62m lb.

In spite of this news, the London Metal Exchange price of nickel for immediate delivery fell by $292.50 yesterday to $10,745 a tonne. Metal for delivery in three months closed $225 down at $10,562 a tonne.

Mr Nick Moore, metals analyst with the Ord Minnett financial services group, said: "There will be pedestrian demand for all base metals next year – the higher the oil price goes, the worse it will be for metals. We will see cash nickel at $4 a lb ($8,816 a tonne) before this year is out."

However, Mr Neil Buxton, analyst at Shearson Lehman Brothers, pointed out that there were other interruptions to supplies of nickel – including the closure of a Cuban smelter and the absence of deliveries to the LME from the Soviet Union – which might cause the price to move sharply upwards for brief periods. He also pointed out that the LME's nickel stocks are currently only about 2,000 tonnes and this helped to put some perspective on the expected loss of 3,600 tonnes from PT Inco.

When PT Inco, now 58 per cent owned by Inco of Canada, was floated on the Jakarta stock exchange in April it forecast output of 80m lb for 1990 but in June this was reduced to 70m lb. The company cited production problems and the fact that its expansion programme – to take capacity to 105m lb a year – had been delayed.

PT Inco was yesterday standing by its forecast that its nickel output in 1991 would be 80m lb.

At the same time, Inco in Canada said it was to resume nickel production at its lowest-grade and highest-cost mine in Ontario, Creighton No 3, which was closed in March. Inco said it would take about five weeks to crank the mine up to full production but would not give any indication of expected output.

Aluminium shortfall forecast

By Kenneth Gooding

THE ALUMINIUM market will almost certainly move into another deficit of supply compared with demand next year and remain in that situation in 1992, suggests Billiton-Enthoven Metals, the Royal Dutch Shell subsidiary, in a special report published today. Prices will have to rise sufficiently to persuade marginal producers to remain in operation, it says.

Billiton adds a warning, however. Should events in the Gulf result in oil-induced inflation tipping the US economy into recession, it says, the reverberations would be felt world-wide and result in a sharp fall in demand for aluminium.

"Smelters would be slow to respond by cutting back production, partly as a result of having power and alumina contracts tied to the metal price. Inventories would accumulate and prices would be driven sharply lower and remain depressed for a prolonged period," says the author, Mr Angus MacMillan.

Assuming a recession is avoided, however, Billiton expects a 150,000 tonnes shortfall of aluminium supply in 1991 compared with a surplus of 50,000 tonnes this year. In 1992 another supply shortfall of 50,000 tonnes is forecast.

"Thus the stage is set for a period of strong prices." Billiton suggests that the London Metal Exchange price of aluminium for immediate delivery will average about US$1 a lb in the last quarter of this year to give an average of 79.7 cents a lb for 1990 as a whole, down from 82.7 cents last year.

Prices are forecast to stay well above $1 a lb in the first half of next year and to average $1 a lb for the year as a whole. For 1992 Billiton forecasts an average LME cash price of 85 cents a lb.

Billiton suggests that primary aluminium production will rise from 14.377m tonnes last year to 14.5m tonnes in 1990 and then to 14.85m tonnes and 15.45m tonnes in 1991 and 1992 respectively. Consumption, meanwhile, is forecast to rise from 14.655 tonnes in 1989 to 14.725 tonnes this year, 15.25m tonnes next year and to 15.7m tonnes in 1992.

"The Billiton-Enthoven Report on the Aluminium Market," £150 or US$300 from Billiton-Enthoven Metals, 84 Fenchurch Street, London EC3M 4BY.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices closed slightly ahead on the LME yesterday, with sterling's weakness against the dollar helping to support the market after the heavy fall on Tuesday. On Comex prices were just ahead at midsession after a wave of morning selling dried up. But chart watchers said the December contract was likely to encounter resistance at 126 cents a lb. "Yesterday (Tuesday) and this morning we've been experiencing a major shakeout," said one New York trader. "I think people expected this type of move, but maybe not all at once." Aluminium's bull trend reasserted itself on the LME after being unsettled by Tuesday's copper and zinc sell-offs. Trade short covering and speculative buying fuelled the rise, which was met by profit-taking and some hedge selling, traders said. Zinc remained under pressure, however. Traders expect prices to attempt to consolidate above $1,400 a tonne. But any break below that level would signal that the market was still on course for a fall to around $1,250 a tonne – a long-term prediction by some analysts which is based on a deteriorating fundamental background.

Compiled from Reuters

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)		+ or -
Dubai	$28.75-8.80y	-.50
Brent Blend (dated)	$32.25-2.40	-.575
Brent Blend (November)	$32.45-2.50	-.375
W.T.I. (1 pm est)	$32.45-2.50y	-.50
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$417-418	-4
Gas Oil	$281-283	-3.5
Heavy Fuel Oil	$119-121	+1.5
Naphtha	$328-330	-4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$386.75	-1.25
Silver (per troy oz)♣	483c	
Platinum (per troy oz)	$459.00	-0.15
Palladium (per troy oz)	$105.65	+0.40
Aluminium (free market)	$2245	+60
Copper (US Producer)	134½c	-2⅞
Lead (US Producer)	50.0c	
Nickel (free market)	495c	-15
Tin (Kuala Lumpur market)	15.37r	
Tin (New York)	273.0c	
Zinc (US Prime Western)	81.00c	
Cattle (live weight)†	99.95p	-1.94*
Sheep (dead weight)†	121.58p	-16.2*
Pigs (live weight)†	80.63p	-0.56*
London daily sugar (raw)	$284.4q	-5.60
London daily sugar (white)	$305.0q	-9.50
Tate and Lyle export price	£256.0	-3.50
Barley (English feed)	£116	
Maize (US No. 3 yellow)	£149w	
Wheat (US Dark Northern)	£84.2q	
Rubber (Oct)♥	52.50p	+0.25
Rubber (Nov)♥	52.75p	+0.25
Rubber (KL RSS No 1 Oct)	240.5m	-0.50
Coconut oil (Philippines)§	$275v	
Palm Oil (Malaysian)§	$282.5w	
Copra (Philippines)§	$205y	
Soyabeans (US)	£143.5	
Cotton "A" Index	81.30c	+0.45
Wooltops (64s Super)	437p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)			
Raw	Close	Previous	High/Low
Oct	255.20	252.80	255.60 252.80
Dec	250.00	240.00	247.00 235.00
Mar	237.40	234.80	237.00 233.50
May	236.40	235.00	236.40 235.00
Aug	240.00	240.00	240.00 240.00
Oct	238.60	237.40	238.60 235.60
Dec	255.00	260.00	235.00
White	Close	Previous	High/Low
Dec	304.0	302.0	302.0 300.0
Mar	306.0	304.0	306.5 302.0
May	307.0		307.5 304.8
Aug	313.5		313.5 311.0
Oct	306.5		307.5 304.0
Dec	303.5	300.5	301.5 300.5

Turnover: Raw 1757 (2561) lots of 50 tonnes. White 2279 (1228)
Paris- White (FFr per tonne): Dec 1590 Mar 1635, May 1635, Aug 1655, Oct 1630

CRUDE OIL – IPE $/barrel			
	Latest	Previous	High/Low
Nov	32.10	32.70	32.65 31.40
Dec	30.50	31.00	30.60 29.85
Jan	29.35	29.80	29.35 29.15
IPE Index	33.33	31.52	

Turnover: 5890 (12858)

GAS OIL – IPE $/tonne			
	Latest	Previous	High/Low
Oct	274.75	277.75	277.50 272.75
Nov	273.50	275.25	275.25 269.75
Dec	272.50	273.25	272.50 268.25
Jan	264.50	268.50	267.00 263.00
Feb	257.00	259.00	257.50 256.00
Mar	248.50	250.00	249.00 245.50
Apr	237.00	240.00	239.00 235.00
May	233.00	240.00	233.00

Turnover 9693 (12343)lots of 100 tonnes

WOOL

The Australian agriculture minister last week removed borrowing restrictions from the AWC, previously fixed at A$2.5 billion. This attempt to improve demand by removing any possible fears that the floor price might again be reduced appears to have failed. AWC purchases are larger this week than last. Wool offered at other sales around the world, though at lower prices, is also not attracting trade demand. The absence of state trading countries from the market is the main cause of the crisis of over-supply.

COCOA – London FOX £/tonne			
	Close	Previous	High/Low
Sep	702	710	705 695
Dec	737	744	742 725
Mar	769	776	777 760
May	791	801	800 785
Jul	811	820	815 808
Sep	832	841	840 829
Dec	858	867	865 856

Turnover: 4590 (3856) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 18 989.65 (1001.73) 10 day average for Sep 19 987.97 (990.30)

COFFEE – London FOX £/tonne			
	Close	Previous	High/Low
Sep	578	585	585 570
Nov	593	604	605 588
Jan	611	616	619 602
Mar	608	616	613 605
May	623	631	628 620
Jul	636	645	641 636
Sep	654	662	656 654

Turnover: 5553 (2427) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 18: Comp. daily 75.51 (75.89). 15 day average 76.85 (77.02)

POTATOES – IPE £/tonne			
	Close	Previous	High/Low
Nov	84.0	85.9	85.5
Apr	133.8	132.9	134.5 133.8
May	146.5	147.0	147.0

Turnover 121 (113) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne			
	Close	Previous	High/Low
Oct	107.00	105.00	107.00 106.00

Turnover 17 (54) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point			
	Close	Previous	High/Low
Oct	1185	1200	1194 1180
Jan	1185	1195	1186 1180
Apr	1181	1200	1185 1180
Jul	1042		1060 1055
BFI	1195	1197	

Turnover 286 (200)

GRAINS – IPE £/tonne			
Wheat	Close	Previous	High/Low
Sep	111.40	110.85	111.25 111.10
Nov	113.50	113.10	113.50 113.30
Jan	117.85	117.20	117.80 117.40
Mar	121.35	120.85	121.15 121.05
May	124.35	124.45	124.75 124.60
Barley	Close	Previous	High/Low
Sep	109.60		109.50
Nov	112.50	112.30	112.60 112.50
Jan	116.70	116.40	116.70 116.50
Mar	119.65		119.60
May	120.65	120.50	120.60

Turnover: Wheat 241 (306), Barley 128 (64). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg			
	Close	Previous	High/Low
Oct	106.5	109.0	108.0
Nov	107.0	107.0	107.0
Jan	97.5		97.5

Turnover 24 (17) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)						
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 16,331 lots
Cash	2234-8	2185-7	2250/2245	2240-5		
3 months	2123-4	2078-9	2135/2095	2129-30	2128-30	74,177 lots
Copper, Grade A (£ per tonne)						Total daily turnover 21,699 lots
Cash	1578-80	1580-5	1598/1540	1549-51		
3 months	1517-8	1492-3	1528/1470	1478-80	1519-21	108,161 lots
Lead (£ per tonne)						Total daily turnover 2,779 lots
Cash	437-9	434-6	436.5/435	436-6.5		
3 months	447-8	445-6	447/444	446-7	447-8	10,932 lots
Nickel ($ per tonne)						Total daily turnover 3,593 lots
Cash	10740-50	11025-50	10800	10790-800		
3 months	10550-75	10775-80	10700/10550	10550-75	10600-50	8,597 lots
Tin ($ per tonne)						Total daily turnover 1,986 lots
Cash	5815-25	5820-40		5780-5		
3 months	5920-1	5940-50	5940/5880	5890-900	5925-30	5,783 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,268 lots
Cash	1515-20	1520-5	1498/1495	1495-8		
3 months	1435-7	1449-50	1452/1410	1420-5	1438-40	19,701 lots

LME Closing £/$ rate: SPOT: 1.8800 3 months: 1.8594 6 months: 1.8315 9 months: 1.8081

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	386½-387	205-205½
Opening	385¼-385¾	201¼-201¾
Morning fix	386.45	201.749
Afternoon fix	386.50	204.281
Day's high	387-387½	
Day's low	385¼-385¾	

Coins	$ price	£ equivalent
Maple leaf	396-401	210-213
Britannia	396-401	210-213
US Eagle	396-401	210-213
Angel	396-401	210-213
Krugerrand	386-389	204½-205½
New Sov.	93-94	48½-49½
Old Sov.	92-94	48½-49½
Noble Plat	464.50-471.90	245.25-249.15

Silver fix	p/fine oz	US cts equiv
Spot	260.60	480.00
3 months	259.70	489.50
6 months	266.80	498.95
12 months	286.25	519.15

TRADED OPTIONS				
Coffee	Nov	Jan	Nov	Jan
550	49	73	6	13
600	19	41	26	31
650	5	22	62	62
Cocoa	Dec	Mar	Dec	Mar
700	62	102	25	33
750	35	74	48	55
800	20	53	83	84

Brent Crude	Nov	Dec	Nov	Dec
3000			100	
3050				
3100		9875		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	386.0	387.6	0	0
Oct	386.8	388.7	387.7	385.6
Nov	389.2	391.1	0	0
Dec	391.4	393.3	392.9	390.0
Feb	395.7	397.8	396.2	394.2
Apr	399.7	401.7	400.5	399.0
Jun	404.0	405.9	404.1	403.5
Aug	408.0	410.0	0	0
Oct	412.7	414.7	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	459.0	461.8	461.0	457.0
Jan	465.0	468.4	467.0	464.5
Apr	472.0	474.0	472.0	470.0
Oct	485.0	485.2	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	478.9	479.0	479.0	478.0
Oct	477.8	480.2	0	0
Nov	481.4	483.8	0	0
Dec	485.3	487.7	490.5	484.5
Jan	487.7	490.1	0	0
Mar	495.8	498.1	501.0	495.5
May	502.9	505.1	505.0	503.1
Jul	510.2	512.3	513.0	510.0
Sep	518.9	519.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	127.00	130.00	130.00	127.00
Oct	125.25	128.65	128.90	125.70
Nov	122.00	126.40	126.20	128.20
Dec	119.75	124.00	124.40	119.50
Jan	117.25	121.60	121.00	117.20
Mar	113.75	117.00	117.60	113.50
Apr	112.20	115.20	0	0
May	110.85	113.30	113.20	112.80
Jun	109.20	111.80	0	0
Jul	107.75	110.00	110.30	108.60

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Oct	32.95	33.41	33.30	32.25
Nov	32.85	32.87	33.10	31.80
Dec	31.65	31.68	32.00	30.75
Feb	29.45	29.68	29.85	29.00
Mar	28.80	28.86	28.90	28.06
Apr	28.05	28.19	28.05	27.79

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	8660	8545	8710	8440
Apr	8015	7845	8015	7720
May	7650	7628	7650	7550
Jun	7550	7505	7550	7450
Jul	7450	7460	7460	7410

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1261	1291	1273	1255
Mar	1298	1322	1311	1290
May	1330	1361	1340	1325
Jul	1359	1390	1359	1357
Sep	1390	1421	0	0
Dec	1423	1454	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	97.10	95.65	97.90	96.00
Mar	100.00	98.70	100.70	98.70
May	102.30	100.75	102.30	100.70
Jul	104.25	102.50	103.50	103.00
Sep	106.40	104.65	105.25	105.00
Dec	106.50	106.90	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	11.05	10.88	11.06	10.86
Mar	10.62	10.62	10.66	10.46
May	10.60	10.51	10.63	10.45
Jul	10.61	10.51	10.63	10.45
Oct	10.66	10.56	10.66	10.52

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	75.90	73.90	75.90	74.05
Dec	73.95	72.30	74.10	72.25
Mar	75.00	73.43	75.05	73.43
May	75.10	74.15	75.10	74.20
Jul	75.10	74.11	75.10	74.11
Oct	70.00	69.75	0	0
Dec	68.00	67.90	68.00	67.90

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	134.80	138.70	137.70	134.60
Jan	131.10	132.65	133.80	131.00
Mar	132.25	133.00	134.50	131.80
May	135.00	133.00	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Sep 19	Sep 18	mnth ago	yr ago
	1785.1	1796.9	1778.4	1807.3
DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 18	Sep 17	mnth ago	yr ago
Spot	128.43	128.07	133.04	129.57
Futures	132.28	132.29	134.03	129.66

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	612/4	622/4	620/0	611/0
Nov	617/6	633/2	631/4	617/0
Jan	632/2	648/0	649/0	631/4
Mar	645/2	660/2	668/0	644/4
May	655/0	670/0	668/0	654/4
Jul	662/0	676/0	675/4	661/4
Aug	656/4	668/0	667/0	656/4
Sep	635/0	645/0	646/0	635/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	23.62	23.78	23.78	23.54
Oct	23.43	23.84	23.83	23.42
Dec	23.51	24.04	23.98	23.60
Jan	23.88	24.25	24.20	23.85
Mar	24.17	24.51	24.50	24.15
May	24.40	24.70	24.70	24.40
Jul	24.48	24.75	24.75	24.46
Aug	24.40	24.87	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	180.7	184.2	2184.0	180.4
Oct	180.1	185.0	184.8	180.0
Dec	183.9	188.8	188.5	183.6
Jan	185.4	189.8	189.8	185.3
Mar	188.5	192.6	192.5	188.5
May	189.6	193.8	193.0	189.5
Jul	191.0	195.0	194.5	191.0
Aug	190.0	193.2	193.0	190.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	234/2	237/0	237/0	232/4
Dec	222/2	226/0	225/4	222/0
Mar	232/2	236/0	235/6	232/0
May	238/4	242/4	241/6	238/2
Jul	242/6	246/6	246/0	242/4
Sep	241/6	246/2	246/0	241/4
Dec	243/4	247/4	247/0	243/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	257/4	259/4	258/6	256/4
Dec	269/2	275/0	274/6	269/0
Mar	285/4	289/4	289/2	283/4
May	293/0	297/4	297/4	291/2
Jul	298/2	303/0	303/0	298/0
Sep	303/0	308/0	306/0	303/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	79.67	79.47	79.72	79.27
Dec	77.40	77.27	77.50	77.05
Feb	75.72	75.62	75.97	75.55
Apr	76.00	76.00	76.10	75.85
Jun	73.90	73.85	73.95	73.70
Aug	72.05	72.15	72.35	72.05
Oct	72.05	72.15	72.35	72.05

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	53.82	53.47	53.92	53.05
Dec	52.40	52.32	52.70	51.92
Feb	49.12	48.56	49.60	49.00
Apr	45.85	45.85	46.35	45.80
Jun	50.25	50.40	50.50	49.95
Jul	50.25	50.50	50.50	50.25
Aug	48.90	49.15	0	48.90
Oct	43.85	43.92	0	43.85

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	56.40	56.82	57.10	55.80
Mar	56.37	56.75	57.00	55.95
May	57.00	57.40	57.60	56.55
Jul	56.67	57.12	57.10	56.50
Aug	55.25	54.50	56.25	0

TO SHOW HOW VENTURE CAPITAL WORKS FOR YOU

3i INVENT *THE WHEEL.*

LARGE BUSINESS

INDIVIDUALS

GETTING INTO BUSINESS

GROWING A BUSINESS

CHANGE OF OWNERSHIP

BREAKOUT · MANAGEMENT BUY-OUT · MANAGEMENT BUY-IN · MANAGEMENT START-UP · GROWTH CAPITAL · ACQUISITION · PRIVATE PLACING · MERGERS AND ACQUISITIONS · EUROPEAN CROSSBORDER TRANSACTIONS · PROJECT FINANCE · CORNERSTONE FINANCE · LEVERAGED BUY-OUT

THE WHEEL OF CHANGE IN BUSINESS

3i

You are ambitious. You've heard of venture capital. And 3i. But what exactly can we do for you?

As the U.K.'s biggest venture capital company, 3i is committed to helping you achieve your ambitions by making venture capital more accessible. And easier to understand.

Which is why we created The Wheel of Change in Business. If you can show us where you want to be, 3i can help you get there.

The first step is easy, just tell us where you are now:

"I want to break out of the corporate structure."

3i venture capital can help you develop an independent career by getting into business for yourself.

"I want to be my own boss."

You may be thinking about starting a company, doing a management buy-out or buy-in. 3i can tailor its investment to match your needs.

"I want to build on our success."

As your business grows, 3i can provide growth capital, perhaps to help you move into a larger factory or to enable you to buy another business.

"I want to hand my business on."

Changes in ownership are a normal part of business life. If you've reached the stage where you want to hand over your business or some of your shares to the next generation, 3i can help you manage succession.

"I want to focus on what we do best."

All being well, a successful company will become a large business. Eventually, you may want to talk to 3i about restructuring your company in order to concentrate on core activities or to grow by acquisition.

"I want to break out..."

Changes brought on by growth or restructuring sometimes prompt ambitious individuals to break out of large businesses...and the cycle begins again.

Wherever you are on The Wheel of Change, 3i can help you make your next move. Simply tell us about your plans using the questionnaire below. By learning more about your needs, we can decide together whether venture capital and 3i should be part of your future.

SHOW US WHERE YOU WANT TO BE,
WE CAN HELP TURN YOUR PLANS INTO ACTION.

3i

investors in industry

Please complete your name and address, giving company details if appropriate. Then complete the section which applies to you. Tick boxes to indicate "Yes", leave them blank for "No". Tick more than one box if appropriate. All replies are treated in the strictest confidence. Post this completed survey to 3i, The Wheel of Change in Business, FREEPOST, 91 Waterloo Road, London SE1 8BR.

Name: Mr/Mrs/Miss/Ms__________

Position/Job Title__________

Company Name__________

Type of Business__________

Address Home ☐ or Business ☐ *(Please tick)*

__________ Postcode__________

Telephone__________ Your Date of Birth: __/__/__

INDIVIDUALS

1. **When are you planning to *own and manage* your own business?**
   In 1 year ☐ 2-3 years ☐ 3-4 years ☐ 5+ years ☐
2. **How are you planning to gain ownership of your own business?**
   Management Buy-out ☐ *Management Buy-in* ☐ Start a new business ☐
   I need to find out more about the various methods of owning my own business ☐
3. **For a *Management Buy-in*, have you identified a target company?** Yes ☐ No ☐

GETTING INTO BUSINESS

4. **Do you have a start up idea?**
   In mind ☐ Prepared a business plan ☐ Not yet ☐
   Already started but need additional capital ☐
5. **In which industry are you planning to start your business?**
   ____
6. **Have you put together a management team?** Yes ☐ No ☐
7. **When are you planning to *start* your business?**
   In 1 year ☐ 2-3 years ☐ 3-4 years ☐ 5+ years ☐

GROWING A BUSINESS

8. **How are you planning to grow your business?**
   Acquire *another* business ☐ Develop *a new* product/market ☐
   Change location ☐ Or are you growing faster than your finances will allow? ☐
9. **How much capital do you estimate you will need to fund your growth in the next 2 years?**
   Up to £100,000 ☐ £100,000 – £500,000 ☐ £500,000 – £1m ☐ More than £1m ☐

CHANGE OF OWNERSHIP

10. **Having built up your business do you want to:**
    Pass it on to the next generation in your family? ☐
    Realise some cash as a reward for all your effort but stay involved? ☐
    Sell your shareholding? ☐ Sell your business? ☐
    Sell to the management team, or strengthen the management team in order to sell to them in the future? ☐
11. **By when do you expect to *have achieved these plans*?**
    Over the next year ☐ Over the next 2 years ☐ Over the next 5 years ☐

LARGE BUSINESS (Turnover £100m +)

12. **Large businesses face key strategic issues in the 90s concerning shareholder value, the problems of short-termism, and the role of middle management.**
    3i has prepared several publications which focus on the issues and challenges facing corporate management. Please indicate if you would like to receive a copy of the following:
    ☐ *Generating Shareholder Value* – an in-depth report.
    ☐ PLC UK – Corporate Attitudes to Stock Market Valuations – a Survey of 200 Finance Directors.
    ☐ *Towards the Entrepreneurial & Empowering Organisation* – a transcript of a major conference held in association with Tom Peters.

ADVISERS

13. **If you are a financial or legal adviser to businesses and would like to find out more about 3i and venture capital, please tick this box.** ☐

MAKE IT YOUR BUSINESS TO CHANGE

3i Group plc and 3i plc are regulated in the conduct of investment business by SIB

LONDON STOCK EXCHANGE

Shares hold steady in thin business

NERVES steadied somewhat on the UK stock market yesterday, when traders were relieved to see Wall Street turn in a more stable performance overnight and oil prices and sterling turned lower in London. But the market was again plagued by the low trading volume which has brought renewed hints that some major players are thinking of leaving the London securities trading arena.

A brave start on the back of New York's resilience took the FT-SE Index up by nearly 12 points; but, with the sorely battered construction sector hit afresh when Barratt Developments became the first leading UK housebuilder to cut its dividend, the market soon lost heart. The Footsie slipped into negative territory and spent the rest of the session jousting with its overnight quotation.

Account Dealing Dates		
*First Dealings:		
Sep 10	Sep 24	Oct 8
Option Declarations:		
Sep 20	Oct 4	Oct 18
Last Dealings:		
Sep 21	Oct 5	Oct 19
Account Day:		
Oct 1	Oct 15	Oct 29

*New-time dealings may take place from 9.30 am two business days earlier.

A couple of modest trading programmes, one from County NatWest, the London investment bank and marketmaker which in the previous session had downgraded a list of leading conglomerates, raised hopes at one time that the big battalions had changed heart.

However, a gain of three points on the Footsie proved all that the market would allow, and even this was trimmed before the close as Wall Street reversed an early gain in the new session to show a net fall of 6.4 Dow points in London trading hours.

At the close, the FT-SE Index was a net 1.8 up at 2,065.8, with dealers looking uncomfortably towards Footsie 2,051.2, the year's trading low. This trading low is a "key support level," according to Mr Robin Aspinall of Hoare Govett, who continues to warn of the danger of a fall to the 1,880 level. Seaq trading volume of 386.8m shares compared with 380.5m on Tuesday.

Yesterday's trading programmes, like those of recent weeks, are regarded as doubtful blessings by trading houses. Dealers claim that fund managers bait the programmes with a few blue chip stocks but lace them heavily with beta and gamma stocks, second line issues difficult to shift in a stock market starved of investment interest.

The company news flow slackened yesterday, and good interim figures from Tesco, the food supermarketeer, although widely predicted in the market, took some pressure off the consumer sector. But a major test comes today with results from Glaxo, regarded as a recession-hedge stock; the pharmaceutical group is also keenly affected by currency rates.

● The FT-SE Index Steering Committee decided yesterday on the deletion of Burton Group, Carlton Communications and Taylor Woodrow from the FT-SE 100 Index. The replacements, effective from October 1, are two water stocks, Severn Trent and Anglian Water, and Bank of Scotland.

Dividend cut hits Barratt

THE growing list of bad news from the housebuilding sector took in Barratt Developments, one of the UK's biggest pure housebuilders, which yesterday revealed a steep decline in profits and a sharp cut in the final dividend. Until now the big building groups, such as Wimpey, Mowlem and Taylor Woodrow, have all maintained or raised their dividends.

Barratt shares have been under pressure for some time as the market has fretted about the possibility of a dividend reduction. They dropped to 100p at one point yesterday, before steadying and then rallying to close 14 down at 106p.

"Barratt did not cut the payment in the worst days of the timber frame controversy in 1985," recalled one building sector specialist, who added that the reduction "is quite likely to set the scene for more dividend cuts in the sector."

Analysts were busy yesterday hacking away at forecasts for the current year. One moved to £23m, but the majority of estimates are in the region of £26m to £27m; £26m being the crucial level of pre-tax profits to enable the company to maintain the dividend total of 9p.

Norcros worries

Concern for Norcros, the industrial and building materials group, resurfaced after the reduced dividend payment from Barratt. Dividend doubts have plagued Norcros shares for weeks and the price weakness was more apparent yesterday, illustrating the market's acceptance of a cut in the current rate of 16p per share. The stock closed 22 down at 91p.

Analysts also began reducing profit expectations for the group, with Mr David Ireland of Hoare Govett moving back to £28.5m from £34m. Gearing could rise to nearly 80 per cent from the current 47 per cent, and it might make sense to halve the dividend to 8p per share, said the researcher, who believes the company will be realistic about the situation.

The fall in the shares could revive bid speculation, said a trader, who recalled that Williams Holdings narrowly failed to acquire Norcros in the spring of 1987. Norcros shares were then 430p.

C and W rerated

Hard on the heels of its downgrading of British Telecom, Hoare Govett took its red pencil to profits estimates for BT's competitor Cable and Wireless.

Although maintaining his positive stance on C and W, Mr Bob Pringle, Hoare's telecoms analyst, reduced his current year profits forecast from £665m to £630m and that for next year from £790m to £760m. Mr Pringle cited exchange rate movements and continuing high rates of capital expenditure on Mercury by C and W as the reasons behind the adjustment in estimates. But Hoare still expects C and W to outperform BT.

C and W declined 5 to 434p on turnover of 1.9m shares. BT, mauled by recent profits downgrades, retreated a further 6 to 270p on volume of 8.8m.

Sir Bryan Carsberg, chairman of OFTEL (the telecommunications watchdog), is scheduled to address a meeting of institutions and broking analysts at S.G. Warburg Securities today on the subject of the telecoms duopoly and regulation.

Tesco discounted

Good interim results from Tesco had been well signalled by analysts earlier this week, and the market took yesterday's announcement calmly. The news of a 35 per cent profits increase to £187.9m had been more than discounted by the rise of 5 in the share price over the previous two sessions, and the shares gave back 2 yesterday to 229p. Turnover was a solid 3.8m.

Mr Bill Myers at Henderson Crosthwaite raised his profits forecast for Tesco for the full year by £12m to £410m. He said that ahead of the analysts' meeting the only concern had been how the company could afford its level of debt - Tesco's capital spending for the whole year is almost £950m - "and it does appear that they can contain their gearing." Mr Myers added that the company had been "beavering away for 10 years and now we are seeing the result."

Other analysts reiterated their belief in the food retailing sector in times of recession. They picked out both Tesco and Sainsbury, whose shares had also risen earlier in the week and yesterday climbed to 310p before closing a penny off on the day at 304p.

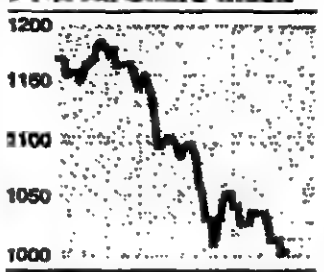
The endorsement of Willis Faber's original share-exchange offer for Corroon & Black by the latter's board of directors, despite the increased counter-offer from US insurer Aon Corporation, took the market by surprise and triggered a sharp upward move by Willis shares. They improved almost 5 per cent to close 9 higher at 210p; turnover reached 2.3m, well head of usual levels of activity.

Dealers said they had been expecting Willis to increase its offer, a move that would have led to earnings dilution for Willis shares. Willis's offer was equal to $30-plus, while Aon said it was prepared to pay $40 cash a share for Corroon, with the approval of the Corroon board.

Simon Willis, insurance broking analyst at County NatWest, said the latest news "showed the balance definitely tilting in Willis's favour," but he added that there remained "an element of uncertainty" surrounding the deal.

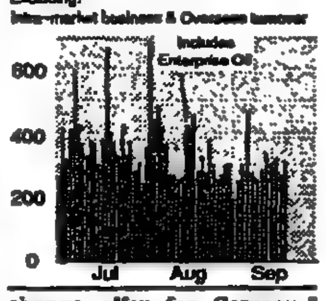
International stocks were encouraged by the softness of sterling. Ever-volatile Reuters was 26 higher at one point in the wake of its acquisition of Uplink, one of seven companies licensed to compete with British Telecom and Mercury Communications in the UK-based satellite communications market. The shares ended 13 ahead on the day at 780p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



The sale of most of SmithKline Beecham's consumer products distribution services in the UK for £13m helped sentiment and the stock added 6 at 541p. The buyer, BOC, eased a penny to 457p.

Traders suggested that BZW had upgraded Unilever, but the securities house denied this, saying that currency factors had helped the stock rise 8 to 669p.

Bass firmed 7 to 967p as Mr Kevin Feeny of S.G. Warburg said that recent "over-optimistic expectations have been reined back by analysts and the net effect has been to put Bass on a more realistic rating for current and next year's profits."

Traders initially took bull positions in Guinness ahead of today's interims. The shares were 7 better at one point, but once the buying was satisfied sellers had the market to themselves and left the price 2 lower on the day at 689p.

There were divergent moves in Chemical issues scheduled to report interim results today. Fosecc, which has outperformed by 5 per cent relative to the market over the past month, slipped back 11 to 188p, with Smith New Court forecasting profits of £21.5m, having recently reduced from £24.5m. BZW expects only £20m. Laporte edged forward to 446p, supported by favourable recommendations and estimates that profits could comfortably exceed £50m.

Costain was down another 6 at 90p. The assumption in the market is that the news may get worse, given the current poor environment for disposals, a possible cash injection for Tloxide and a question mark over the final dividend.

Atlanta's victory in gaining the 1996 Olympic Games prompted keen support for Blue Circle Industries as analysts said the company would be a big beneficiary from the City's building programme of sports complexes.

BCI is the second biggest aggregates supplier in the metropolitan Atlanta area, which provides the group with half of its US profits. It owns seven aggregates quarries in the area, six of which are within a fifty-mile radius of the centre of Atlanta. BCI shares edged ahead to 190p.

Beazer was also seen as a beneficiary of the forthcoming boost to infrastructure in and around Atlanta, but the shares were affected by the weakness in housebuilders and closed 5 off at 108p.

Other casualties in construction stocks included Crest Nicholson, which dropped 13 more to 68p - a halving of the share price in six weeks.

Confidence in British Aerospace strengthened as the shares rose 8 to 549p, influenced still by the statement that Saudi Arabia had not cancelled an option to buy 48 Tornado fighter planes in favour of an arms deal with the US.

Hawker Siddeley rebounded 6 to 414p as the depression brought on by gloomy half-year results lifted slightly. A strong pound and a predominance of sellers continued to knock TI, which fell 17 to 489p.

It was the turn for Racal Telecom to announce that US investors had been reducing their holdings in the stock. Only last week Racal Electronics, Telecom's parent, said that US holdings of its shares had fallen to 17.48 per cent, or 227m shares, down from the peak 330m held in December 1989. Telecom announced that US holders spoke for 12.96 per cent of its shares, compared with the almost 14 per cent recorded in the report and accounts published in July.

Racal Telecom dipped 3 to 234p, while Electronics were a shade down at 149p.

Smith New Court hosted a presentation to fund managers by Argyll and the shares rose 4 to 239p. Hazlewood Foods slipped after Tuesday's sharp fall in the wake of analysts' downgradings. The shares added 2 at 129p.

Wiggins Teape firmed 4 to 160p after the company put up for sale its 42.8 per cent interest in Soporcel, the Portuguese pulp mill. Traders added that there was some relief that the company was not to drop out of the FT-SE 100.

The prospect of interim results on September 27 left United Newspapers 7 higher at 306p. The sale of another large block of Saatchi & Saatchi, accounting for almost all the total turnover of 1.4m shares, was said by analysts to have been behind a further fall of 5 to 35p. The shares have lost 11p, or almost a quarter, in two days.

There were few bright spots in the property sector, where activity was confined primarily to trading between marketmakers. Dealers suggested that company net asset values may not yet have been downgraded sufficiently to reflect fully the depressed state of the property market. Sentiment was further dampened by a poor performance in the related construction sector.

However, Brixton Estates moved a penny firmer to 132p after the announcement of a small rise in interim profits and earnings per share increased to 4.45p from 4.29p. While conceding that present conditions were causing a slowdown in the new lettings, the company claimed that its prudent financing policies had deflected the worst effects of the current economic climate.

Merivale Moore added 10 at 223p in spite of a sharp setback in this year's profits. The firmer tone was helped by the company's disclosure that much of its longer term debt had been arranged at fixed rates.

Gloomy predictions ahead of the MB Group interim profits, due today, encouraged further selling and the price fell to a low of 138p before finishing at 140p, down 4. There have been suggestions that MB will fail to meet analysts' forecasts of a £55m profit for the half year.

Sycamore Holdings jumped 13 to 30p on news of capital injection proposals. These include a sub-division of the shares, a subscription by a consortium of investors and a subsequent rights issue to existing shareholders.

CH Industrials greeted the announcement of new automobile orders worth £56m with a rise to 30p before closing 3 up on the day at 26p. Godfrey Davis advanced 5 to 113p on a confident interim statement.

A mid-term return to profitability, allied to the forecast of an even stronger recovery in the second half, pushed London Forfaiting 8 higher to 76p.

■ Other Market statistics, including the FT-Actuaries share index, Page 22

FINANCIAL TIMES STOCK INDICES

	Sept 19	Sept 18	Sept 17	Sept 14	Sept 13	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.45	78.29	78.31	78.27	78.56	85.86	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.01	87.04	87.10	87.10	87.15	96.18	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1576.1	1578.8	1608.1	1609.6	1632.9	1954.6	1968.3 (3/1)	1576.1 (19/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	182.7	185.2	188.8	189.0	192.3	203.5	378.5 (6/2)	167.9 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2065.8	2064.0	2094.3	2093.8	2127.1	2363.8	2463.7 (3/1)	2064.0 (18/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	6.02	6.02	5.91	5.78	5.81	4.17				
Earning Yld %(full)	12.63	12.63	12.39	12.17	12.27	9.99				
P/E Ratio(Net)(*)	9.60	9.60	9.78	9.96	9.88	12.07				
SEAQ Bargains 4.45pm	17,418	17,815	18,310	18,558	15,684	24,509				
Equity Turnover(£m)†	-	839.83	527.48	819.09	569.67	807.07				
Equity Bargains†	-	18,187	16,163	18,954	16,019	23,902				
Shares Traded (ml)†	-	312.2	270.1	324.5	305.3	347.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ø Nil 9.45

Ordinary Share Index, Hourly changes — Day's High 1583.1 — Day's Low 1573.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1585.6	1580.3	1582.7	1577.0	1574.9	1577.6	1579.1	1578.4	1577.7

FT-SE, Hourly changes — Day's High 2075.9 — Day's Low 2061.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2075.7	2068.8	2073.2	2065.5	2062.8	2064.7	2065.8	2068.5	2067.3

GILT EDGED ACTIVITY

Indices	Sept 18	Sept 17
Gilt Edged Bargains	78.2	83.0
5-Day average	77.1	78.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (6). BRITISH FUNDS (5) FOODS (1). NEW LOWS (342). AMERICANS (6) CANADIANS (8) BANKS (15) BREWERS (1) BUILDINGS (33) CHEMICALS (11) STORES (5) ELECTRICALS (24) ENGINEERING (24) FOODS (8) INDUSTRIALS (65) Abbeycrest, BSS, BTR, Do. Warrants, Do. 1992/93, BTS, Barrett (Henry), Barry Wehmiller, Brammer, Bridon, Brit. Fittings, Brit Polythene Inds., Brompton Hldgs., Brown & Tawse, Business Tech., Campbell & Armstrong, Cargo Control, Cathay Pacific, Charter Cons., Comac, Computer People, Cookson, Dean & Bowes, Dobson Park, ECC, Electrolux, Erskine House, [illegible], Fenner, Glaves, Hampson, [illegible] (7) LEISURE [illegible] (2) PAPER [illegible] (1) SOUTH [illegible] TRANSPORT [illegible] OVERSEAS TRADERS [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1990 High	Low	Stock	Price £	+or-	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	Low	Stock	Price £	+or-	Yield (1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

1990 High	Low	Stock	Price	+or-	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Three join Citibank

■ CITIBANK has appointed three directors to its European mergers and acquisition business based in London. Mr Stephen Mischler joins from First Boston where he was a director. Mr William Clark joins from the First Bank of Boston, and Mr Olivier Fremond from Pru Bache.

■ Mr David Young, finance director of TWIL Group, has been appointed a vice president responsible for finance and business development of Bekaert MBU Wire worldwide, based in Zwevegem, Belgium. He will remain on the group board. The TWIL Group is owned by Bekaert and British Steel Corporation.

■ Mr Lee W. Richardson, marketing manager of HERTZ EUROPE, has been promoted to marketing director responsible for Hertz Leasing.

■ SAFETYNET, a computer disaster recovery company, has appointed Mrs Meriel Winwood as director responsible for international operations. She was international marketing director at Meridian.

■ FENNOSCANDIA BANK, London, has appointed Mr Johan Lagercrantz as executive director, Nordic region. He was deputy managing director with Bankgirocentralen in Stockholm. Mr Paul Hunt becomes manager, Nordic region. He joined from Scandinavian Bank Group.

Mr Peter Cadbury (pictured) has been appointed chairman of TR TRUSTEES CORPORATION from October 1. He will succeed Sir Anthony Touche who is retiring. Mr Cadbury is a group director of Morgan Grenfell & Co, and a director of Cannon Lincoln.

■ ADT has appointed Mr David Bates as chief operating officer at US headquarters in Boca Raton, Florida.

■ Following the recent investment by Murray Ventures and Norwich Union Life Assurance Society in CROFT OIL AND GAS, Mr Fred G.S. Delgarno has been appointed to the board of Croft as a non-executive director. He is an executive director of Murray Johnstone, and chairman of Murray Johnstone developments.

■ PHILIP HARRIS HOLDINGS has appointed Mr David Newcombe as group finance director from October 1, succeeding Mr Richard Webb. Mr Newcombe was group finance director of Sharpe & Fisher.

■ Mr John Warren has been appointed to the board of UNITED BISCUITS (HOLDINGS) from October 1. He will succeed Mr Jim Blyth as finance director on January 1 following Mr Blyth's retirement.

■ Mr Stuart Ball has been appointed managing director of UNS and PNA, subsidiaries of the PRESS ASSOCIATION. He joins from The Exchange Telegraph Company where he was managing director, and succeeds Mr Robert Simpson who has become chief executive of PA.

■ Mr André N. Blond has been appointed chief executive of Airflow Developments, High Wycombe. He was deputy managing director.

■ CREIGHTON'S NATURALLY has appointed Mr Gerry Clements as managing director. Mr Richard Tester, financial controller, additionally becomes company secretary.

■ Mr Shun-Ichi Nakao (pictured) has been appointed director general of Japan External Trade Organisation (JETRO), London. He was director general of the Hokkaido bureau of international trade and industry. Mr Nakao succeeds Mr Tsuneo Osumi who returns to Japan.

■ Mr Paul Jeffries has been appointed works director at PLUMLINE DISPLAY, Nottingham, an associate company of the Langar group. He was works manager.

■ Mr Roy Walford has been appointed director, western region, and Mr Arthur Gibbons director, southern region, on the board of CHARRINGTON-HARGREAVES, Bishops Stortford.

■ Mr Barry Vaughan has been promoted to assistant general manager, lending, at PORTSMOUTH BUILDING SOCIETY.

■ HILL SAMUEL BANK has appointed Mr John Sclater as vice chairman. He is chairman of Berisford International, and of the Foreign and Colonial Investment Trust, and deputy chairman of The Union Discount Company, among other posts.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9½	ABN Amro F15	£9½	−¼	Q28%	2.1	8.4	5.6
303	186	ANZ SA1	186	−3	44c	1.4	10.1	7.0
229	172	Abbey National 10p	212	......	5.7	4.3	3.6	8.6
*274	144	Allied Irish Ord	154	−1	Q40%	3.3	5.8	7.0
		For Algemene see ABN Amro						
85	52	Anglo Irish	54	+1	‡Q18.7%	2.7	7.8	7.8
93	65	Ansbacher (H.) 1p	65	......	2.5	1.3	5.1	18.7
£71⅛	£39⅞	Bancaire Cie Fr100	£39⅞	−⅛	kQ12¼%	−	3.3	−
£22¾	£14	Banco Bilbao Viz	£14	−2¼	Q49.1%	2.7	5.7	9.6
286	149	Bank Ireland Ir£1	153	......	Q14.7%	2.9	8.6	5.4
£19½	£18	Bank Leumi	£19½	......	−	−	−	−
350	320	Bank Leumi (U.K.)	350	......	‡15.0	−	5.7	−
125	104	Bank Scotland	108	+1	4.55	3.3	5.6	7.2
100¼	83¼	Do. 9¼pc Irrd Pf	95½	......	9¼%	−	12.9	−
54	39	Bank of Wales	44	......	2.8	0.8	8.5	(21.1)
428	313	Barclays £1	320	+4	‡h19.57	3.5	8.2	4.4
22	11	Benchmark 20p	11	−2	0.75	◆	9.1	◆
335	260	Brown Shipley £1	262	−3	12.0	2.2	6.1	8.5
*435	315	Cater Allen £1	315	......	N24.5	−	10.4	−
179	69	Chancery	69	−6	9.0	2.7	17.4	2.8
£23¼	£16¼	Commerzbk DM10	£17¼	+¼	Q18%	−	3.6	−
£13¼	671	Dai Ichi KBk Y50	671	−4	Q17%	◆	0.5	◆
*£313	£210½	Deutsche Bk DM50	£210½	−3¾	Q28%	−	2.2	−
£20¾	£15¼	Espirito Santo	£15½	+¼	Q75c	5.1	2.6	7.6
253	172	First Nat. Fin. 10p	179	+6	13.0	2.1	9.7	6.2
121	88	FNFC 6.3pc Cv. Pf	91	+1	6.3%	−	9.2	−
£13¼	771	Fuji Bank Y50	771	−92	Q17%	◆	0.4	◆
325	262	Gerrard & National	284	+6	19.0	−	8.9	−
154	110	Guinness Mahon 10p	110	......	2.1	−	2.5	−
328	194	Hambros 20p	210	......	11.5	−	7.3	−
128	90	Do. 7.5pc Cv Pf	91xd	+1	7½%	−	11.0	−
53½	34	HK & Shang. HK$2.50	34xd	−½	‡hQ38c	−	7.5	−
478	398	Joseph (Leo) £1	398	......	15.85	−	5.3	−
150	115	King & Shaxson 20p	116	+1	10.25	−	11.8	−
422	279	Kleinwort Benson Grp	283	−1	16.0	2.5	7.5	6.7
642	339	Kyowa Bank Y50	344	−6	Q14%	◆	0.8	◆
316	242	Lloyds £1	251	+3	‡13.3	2.6	7.1	5.9
56	44	Lon. Scot. Bank 10p	47	−1	‡2.4	1.9	6.8	9.3
[illegible]	[illegible]	Midland £1	[illegible]	+4	‡18.0	2.6	10.5	4.8

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	.....	3.5	10.8	1.0	12.0
225	155	Airflow Streamlines	156	−5	6.0	3.9	5.2	6.6
190	145	Bostrom 5p	165	.....	5.75	3.1	4.6	7.5
266	178	Dowty 50p	178	−2	9.0	2.1	6.7	8.6
239	130	FR Group	130	−7	6.37	3.2	6.5	6.2
135	55	Kwik-Fit Hldgs. 10p	64	.....	2.4	1.7	5.0	16.1
174	119	Lucas Inds	119	−5	†6.25	3.0	7.0	5.4
44	17	Do. Warrants	17	−1	—	—	—	—
80	63	Mid-States 10p	66	.....	s20.75	—	1.6	54.0

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	19	Alexanders 10p	19	.....	1.0	3.0	7.0	5.7
135	81	Appleyard 10p	81xd	.....	†7.8	2.4	12.8	3.8
110	65	Bletchley Motor 20p	67	.....	†7.5	1.9	15.9	4.5
568	438	Caffyns 50p	438	−2	11.5	0.3	3.5	—
121	96	Central Motor Auctns.	108	.....	†3.25	3.2	4.0	10.3
61	26	Cook (D. C.) Hldgs.	30xd	.....	1.0	5.3	4.4	5.7
89	33	Cowie (T.) 5p	48	.....	4.2	1.5	11.7	6.7
95	63	Dagenham Motors 10p	63	.....	5.25	2.8	11.1	4.4
98	77	Davenport Vernon 10p	78	.....	3.5	3.6	6.0	5.4
29	16	Equity & Gen 5p	20	.....	†1.5	1.7	10.0	(7.1)
247	163	Evans Halshaw	172xd	−1	11.25	2.4	8.7	6.3
113	85	Gates (F. G.)	91	+1	2.75	1.9	4.0	17.1
161	46	Gowrings 10p	46	−5	5.63	1.0	17.2	7.5
81	50	Jacks Wm.	50	.....	2.0	1.0	5.3	25.1
118	54	Jessups	55	+1	7.0	2.5	17.0	3.1
297	209	Lex Service	218	−5	15.3	1.9	9.7	7.4
147	50	Lookers	64	.....	6.2	3.9	12.9	2.6
43	31	Malaya Group 10p	36	.....	2.0	♦	7.4	♦

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

1990 High	Low	Stock	Price	+ or −	Div Net
285	163	Helical Bar 5p	173	−1	10.0
81	53	Do. 5¼pc Cv Pf '12	55	.....	5¼%
177	140	Henry Son & Daw 10p	140	.....	†5.75
67	47	HK Land Hldgs.	52	+½	Q48c
18½	8½	INOCO 10p	8½	−½	—
250	225	Jermyn Invest.	250	.....	3.0
37½	30	Key City Prop.	30	.....	—
544	458	Land Securities £1	472	+1	17.0
670	543	Lend Lease 50c	578	−25	Q70c
158	17	Lndn & Edinbgh 5p	20	.....	6.65
48	26	Lon. Securities 15p	26	−1	1.5
81	48	Do. 8½pc (Net) Cv.	49	−1	8.25
549	433	MEPC	433	−1	†17.0
82	37	Markheath	37	−2	6.0
43	16	Marylebone Ests 5p	20	.....	3.0
175	120	McKay Secs 20p	145	.....	5.8
436	218	Merivale Moore 5p	233	+10	10.5
63	8	Merlin Intl Props.	8	.....	2.0
71	26	Micklegate Grp. 1p	26	.....	L2.25
50	36	Molyneux Ests.	36	.....	20.5
163	87	Mountleigh	87	−3	4.75
94	52	Do. 5.25pc Cnv Pf	53	.....	5.25%
1200	875	Mountview Ests. 5p	875	.....	11.5
40	11	Mowat Group 10p	11	−1	‡1.2
124	86	Muckiow (A. & J.)	94	.....	5.13
63	46	New Cavendish 5p	46	.....	—
237	135	Palmerston Hldgs.	135	.....	8.78
238	125	Peel Hldgs.	139	−3	10.0
204	115	Power Corp Ir10p.	134	+1	†Q75%
330	29	Priest Marians 10p	40	+1	3.3

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing 0296 312156						
American Eagle	5	61 56	61 56	65 69	-1 79	1 17
Australia	5	6 341	6 341	6 783	+0 33	3 41
Equity	5	138 7	138 7	149 9	-0 3	5 17
Euro Spec Sits	5	100 8	100 8	108 5	-0 7	0 64
Financial	5	24 86	24 99xd	26 90	-0 04	3 22
Global Opps Inc	5	59 19	59 19	63 65	+0 47	0 66
Global Opps Acc	5	59 63	59 63	64 13	+0 42	0 66
Gold & Gen Inc	5	41 34	41 34	44 39	-0 16	0 90
Gold & Gen Acc	5	77 06	77 06	82 73	+0 26	0 90
Income	5	84 84	84 84xd	91 36	+0 06	5 79
Japan & General	5	107 7	107 7xd	116 0	+1 1	0 00
Preference Share	5	17 36	17 36	18 67		14 21
UK Capital	5	75 99	75 99xd	81 55	-0 13	4 13
World Income	5	54 76	54 76	58 71	+0 17	7 02
Worldwide Capital	5	146 3	146 3	157 3	+0 5	3 48
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	99 96	100 39	107 36	-0 4	3 38
Global Growth Inc	6	95 75	96 45	103 16	-0 37	3 38
Global Balanced Acc	6	97 11	97 530	104 31	0 32	4 63
Global Balanced Inc	6	92 32	92 72	99 170	-0 31	4 63
Value Tst Acc	6½	71 67	72 78	77 84	-0 51	4 29
Value Tst Inc	6½	69 88	70 96	75 89	-0 57	4 29
Intl Pen & Ch Inc	2	94 25	95 64	100 41	-4 45	3 60
Intl Pen & Ch Acc	2	92 41	93 78	98 46	-4 35	3 60
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071 251 6767						
Capital	5	44 86	45 17	48 05	-3 42	–
Overseas	5	40 13	40 44	43 02	-4 75	–
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq, London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	43 63	43 63	46.53	-0 25	0 24
(Accum Units)	5	44 90	44 90	47 89	-0 25	0 24
Cash	0	50 21	50 21	50 21		14 81
Accum Units	0	50 21	50 21	50 21		14 81
European Opps	5	63 29	63 29	67 50	+0 25	0 00
(Accum Units)	5	63 64	63 64	67 87	+0 25	0 00
Far Eastern Opps	5	102 98	102 98	109 84	-1 45	0 00
(Accum Units)	5	103 64	103 64	110 54	-1 47	0 00
Golden Opps	5	31 20	31 20	33 27	-0 48	0 00
(Accum Units)	5	32 09	32 09	34 22	-0 49	0 00
Intl Hi-Yield	5	49.72	50 00	53 32	-4 41	5 16
(Accum Units)	5	54 19	54 50	58 13	-0 44	5 16
Sanyo Japan Tst	5	57 66	57 66	61 49	-1 07	0 00

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmpt Sept 19	38 6	41 1		2 68
Euro Exmpt Sept 19	48	51		2 74
Fixed Int Ex Sept 19	42	43		11 62
Japan Exmpt Sept 19	36	40		0 81
Primary Ex Sept 26	37	39		5 95
SE As Exmpt Sept 19	37	39	-2.30	3 90
Sm Cos Exmpt Sept 19	31	32		3 36
UK Eqty Ex Sept 19	30	32		3 62
Phillips & Drew Fund Management Ltd				
Small Co's Sep 5	641 8	665 8		5 25
Do Accum	704 9	755 2		5 25
Int Capt Sept 13	159	161 8		3 4
UK Index Sept 5	1015	1035		3 3
Do Accum	1056	1090		3 3
Convertible Sept 17	81 53	83 79		9 0
North Am Index Sept 17	640	667 8		2.34
Do Accum	656	669 8		2 34
Japan Index Sept 17	538	541 9		0 6
Do Accum	539	542 8		0 6
USA Index Sept 17	753 1	758 0		3 7
Do Accum	763 7	768		3 7
European Index Sept 17	820 8	832		2 9
Do Accum	840 8	[illegible]		2 9
Pacific ex Jap Index Sept 17	808 1	832 0		3.3
Do Accum	823	847 6		3 3
Managed Exempt Sep 13	92 52	94 11		3.90
NM Rothschild Asset Management Ltd				
NC Managed	52 7	56 1xd	-0 2	4 25
NC Property	179 3	198 5		–
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	130 5	131 61		2 97
Stewart Ivory & Co Ltd				
Saints PPP Aug 13	245 0	258 1		–
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Sep 17	89 02	94 25		4 39
(Accum Units)	90 78	96 12		4.39
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1037	1048		2.54
TR Exempt Nth Amer	783	799		4.07

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	60.2	63.3	-0.2	-
Stock Market Mngd Fund	56.9	59.9	-0.3	-
Equity Fund	64.0	67.4	-0.3	-
International Fund	50.5	53.2	-0.3	-
European Fund	62.2	65.4	-0.4	-
North American Fund	49.6	52.2	-0.1	-
Pacific Fund	52.9	55.7	-0.4	-
Property Fund	87.0	91.6	....	-
Fixed Interest Fund	51.4	54.1	+0.3	-
Index Linked Sec Fund	57.8	60.8	+0.1	-
Deposit Fund	65.0	68.5	----	-
NUAM Retirement Plans				
Mixed Fund	65.1	68.5	-0.3	-
UK Ordinary Share Fd	73.5	77.4	-0.4	-
International Fund	54.9	57.8	-0.3	-
Property Fund	85.3	89.8	....	-
Fixed Interest Fund	61.1	64.3	+0.3	-
Index Linked Sec Fund	60.9	64.2	+0.2	-
Deposit Fund	75.2	79.2	+0.1	-
NUAM (NP)				
Managed Fund	852.5	897.4	-3.0	-
Equity Fund	1766.6	1859.6	-8.2	-
International Fund	133.4	140.5	-0.8	-
Property Fund	550.6	579.6	-0.1	-
Fixed Interest Fund	385.0	405.3	+2.1	-
Index Linked Sec Fund	58.8	61.9	+0.1	-
Deposit Fund	267.6	281.7	+0.1	-

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	104.60	110.11	+0.03	-
Managed Fd	81.79	86.10	-0.33	-
UK Ord Share Fd	84.07	88.50	-0.43	-
International Fd	74.82	78.75	-0.47	-
European Fd	86.21	90.74	-0.55	-
North American Fd	75.66	79.64	-0.14	-
Pacific Fd	67.02	70.55	-0.60	-
Property Fd	99.91	105.17	-0.02	-
Fixed Int Fd	92.69	97.57	+0.34	-
Intl Bond Fd	88.46	93.12	+0.12	-
Deposit Fd	105.28	110.82	+0.03	-
Unitised Pensions				
With Profits Fd	137.55	144.79	+0.05	-
Managed Fd	130.49	137.36	-0.57	-
UK Equity Fd	135.98	143.14	-0.81	-
International Fd	130.39	137.25	-0.81	-

Providence Capital Life Asc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Individual Pension Funds				
UK Equity Acc	203.6	214.8	(z)	-
UK Fixed Interest Acc	188.1	198.5	(z)	-
Intl Equities Acc	201.0	212.1	(z)	-
UK Managed Acc	166.3	175.4	(z)	-
Property Acc	208.3	219.8	(z)	-
Money Acc	147.2	155.3	(z)	-
Special Market Acc	211.8	223.5	(z)	-
Japan Equity Acc	150.6	158.9	(z)	-
North American Acc	105.0	110.8	(z)	-
Pacific Acc	154.1	162.6	(z)	-
Technology Acc	136.3	143.8	(z)	-
Natural Resources Acc	101.6	107.2	(z)	-
European Acc	112.4	118.6	(z)	-
Residential Prop Acc	105.7	111.5	(z)	-
Swiss Equities Acc	33.9	35.8	(z)	-
Hong Kong Acc	46.0	48.6	(z)	-
UK High Inc Eqt Acc	66.0	69.7	(z)	-
Int Fixed Interest Acc	52.1	55.0	(z)	-
Int Managed Acc	52.4	55.2	(z)	-
Group Pension Funds				
Equity Acc	695.1	716.7	(z)	-
Fixed Interest Acc	556.5	573.8	(z)	-
Managed Acc	118.4	120.7	(z)	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund (Unitised)	960.0	1008.0	-9.0	-
Equity Fund	216.8	227.6	-3.0	-
International Fd	125.5	131.8	-2.2	-
Fixed Interest Fd	154.8	162.5	+0.1	-
Property Fund	227.3	238.7	----	-
Index-Linked Fund	146.2	153.5	+0.1	-
Deposit Fund	154.6	162.3	+0.9	-
Pens. Mixed (Ord) Fd	233.5	245.2	-2.1	-
Gold Pensions				
Discretionary Fund		113.8	-1.0	-
Equity Fund		111.9	-1.5	-
Fixed Interest Fund		113.0	+0.2	-
International Fund		96.8	-1.6	-
Property Fund		138.0	----	-
Index-Linked Fund		122.1	+0.1	-
Deposit Fund		131.8	----	-
S & F Consolidation		119.7	----	-
S & F Balanced		115.0	-1.0	-
S & F Maximum Growth		86.6	-1.1	-

Provident Mutual Life Asc. Assn.
Whitlan Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	307.0	323.2	-1.4	-

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or -	Yield Gross
North American Equity $	$8.14	8.76	----	-
Pacific Equity $	$7.49	8.07	----	-
Intl Currency $	$4.24	4.56	----	-
Intl Bond Fund $	$6.59	7.10	----	-
Gilt Fund £	£3.85	4.15	----	-
US Dollar Mngd Fd $	$1.64	1.77	----	-
Stg Managed Fd £	£1.04	1.12	----	-

Target International Group
1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Pens Plan	£0.75	0.81	----	-
US Dollar Pens Plan	$0.72	0.78	----	-
Yen Pens Plan	Y260	278	----	-
Ecu Pens Plan	Ecu0.66	0.72	----	-
Sterling Man Fd	£1.05	1.12	----	-
Sterling Fixed Int Fd	£1.49	1.58	----	-
US Dollar Man Fd	$1.23	1.30	----	-
US Dollar Fixed Int Fd	$1.39	1.47	----	-
Ecu Bond Fd	Ecu1.08	1.15	----	-
Davenport Chdwck £ Fd	£0.78	0.85	----	-
Davenport Chdwck $ Fd	$0.67	0.72	----	-
Davenport Chad £ F.I.	£1.07	1.15	----	-
LWI Universal Stg Mgd	£0.76	0.79	----	-
LWI Universal $ Mngd	$0.61	0.64	----	-
Matheson £ Pens	£0.78	0.83	----	-
Matheson $ Pens	$0.80	0.85	----	-
EDN MIM £	£0.86	0.93	----	-
EDN MIM $	$0.95	1.02	----	-
Royal Wessex Fund	£0.75	0.783	----	-
Wessex Special Sits	£1.04	1.083	----	-
Proinco $ Managed	$0.91	0.955	----	-
Proinco £ Managed	£1.03	1.076	----	-
Argent Stg Blncd		£10.94	----	-
Argent Stg Eqty Gth		£11.59	----	-
OFS/James Capel Mgd Gr £		£1.10	----	-
OFS/James Capel Mgd Gr $		$1.14	----	-
OFS Aggressive $		$0.93	----	-
OFS Mngd Growth $		$1.18	----	-
OFS Dfl Balanced Port		$1.10	----	-
Mgd Composite No.1	$0.89	0.96	----	-
Mgd Composite No.2	$0.97	1.04	----	-
Zero Bd Mgd Comp	$0.86	0.93	----	-
Zero Bond Mgd Comp 2	$0.81	0.88	----	-
Japan Mngd Comp	Y1024	1096	----	-
Environment Mgd Comp	$0.83	0.90	----	-
CH 10	SFr1.07	1.15	----	-
LX 10	$1.08	1.16	----	-

MANAGEMENT SERVICES

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	185.3	195.1	-1.3	-
Target Mngd Pension	113.6	119.6	-1.1	-
Albany Life Acc	169.1	177.9	-0.8	-
Albany Pens Acc	209.5	220.8	-1.2	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 809 295 4000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Orion		$-	10.00		----	-

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc
UK Agent: Ivory & Sime Plc. One Charlotte Square, Edinburgh EH2 4DZ 031 225 1357

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GBC Nth America Inc*		C$-	2.81		----	-
Approx Stlg Equiv		£-	1.2756			

*Dealing Thursdays-Forward. Redemption Fee 1%

GUERNSEY (SIB RECOGNISED)

BBY-Hambros Asset Mngmt (Guernsey) Ltd

OFFSHORE INSURANCES

GUERNSEY (REGULATED**)

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
Arab Bank Fund Managers (Guernsey) Ltd				
ABL International Fund Ltd				
US Dollar Money	$10.25	10.25		
Managed Currency	$10.27	10.28		
International Bond	$10.13	10.16		
Baring Intl Fund Managers Guernsey Ltd				
Mngd Portfolio (Dllr)	$10.13	10.76		
Mngd Portfolio (Stlg)	£3.91	4.21		
Baring Currency Fund Ltd				
US Dollar		$14.41		
Sterling		£17.40	+0.01	
Deutschemark		DM37.65	+0.01	
Japanese Yen		Y3.766	+1	
Managed	$40.29	42.30	+0.06	
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	Dkr114.25	114.51	-0.20	
Dumenil Asset Management (Guernsey) Ltd				
Dumenil Enterprise Fund Ltd				
PCFC Selective Groth Fd	£1.0565	1.1108		
Fipart-Conseil Fund Mngrs (Guernsey) Ltd				
Hauteville G & B Fd	SFr7.95	8.031		2.65
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3364	0.3586		14.50
Govett Far East Inv	$0.923	0.987	-0.011	
Energy & Resources	$0.754	0.806		
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$9.808	10.2179		
Havelet Throgmorton Mngmnt Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin (Isle of Man) Ltd				
Fergus Fd Sept 13		£12.10		
UK Trend Sept 13		£8.03		
Target International (Isle of Man) Ltd				
Tyndall International (Isle of Man) Ltd				
MT Gilt/Building	96.7			
(Accum Shares)	154.2	162.0	+0.2	
Unibank Scandinavian Fund Ltd				
Scandinavia Fd	170.58	190.13		1.0

JERSEY (SIB RECOGNISED)

Barclays International Funds

PO Box 152 St Helier, Jersey CI

Capital House Fund Mgrs (CI) Ltd

PO Box 189, Capital Hse, Bath St, St. Helier, Jersey

Tel 0534 74689 (Dealing)

Facsimile 0534 79040

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

EMS query weakens sterling

STERLING fell by nearly 2 per cent yesterday against the US dollar after some market participants interpreted comments by Mr Karl Otto Pöhl, president of the Bundesbank, as meaning that the pound's full entry into the European Monetary System could be delayed.

Mr Pöhl said that countries with high rates of inflation would find it difficult to take part in full European Monetary Union. He went on to say: "Without mentioning names, can a country with an inflation rate three times that of Germany's peg its currency to the D-Mark?"

The remarks produced heavy selling of sterling with the pound falling to DM2.9450, down 2.5 pfennigs on the previous close, and to $1.8810, down 3.8 cents. Sterling recovered slightly towards the close, particularly against the D-Mark, to finish at DM2.9550 and also at $1.8850.

Currency analysts took a more cautious view of Mr Pöhl's remarks. They said he was not referring to the timing of sterling's full entry into the European Monetary System, but to the wider issue of full European Monetary Union.

Mr George Magnus, international economist at Warburg Securities, said he suspected it had "been an opportunity by the foreign exchange market to generate volume. Pöhl was talking about the philosophy of EMU and not to the London markets."

Nevertheless, the markets were begining to wonder whether sterling would become a full EMS member this year, he added.

Sterling closed unchanged at SFr2.4600; at Y259.25 from Y263.75; and at FFr9.8975 from FFr9.9500. The Bank of England's sterling index closed 0.9 point lower at 94.0.

Also keeping sterling on the defensive was a strong rally by the dollar, after Mr Alan Greenspan, chairman of the Federal Reserve, said the trend of US inflation had not improved. The recent rise in oil prices had reduced the chance of an immediate easing in inflationary pressures.

Mr Greenspan's remarks reversed the speculation of previous days that an easing in US monetary policy was imminent. Most economists still believe the Fed will be forced to ease policy, though this may not be until next month.

The pressures on the Fed to ease were underlined by the Beige Book, its regional survey of US economic activity. The report said growth was slowing or declining in most parts of the country.

The dollar closed at DM1.5680 from DM1.5480; at Y137.55 from Y137.45; at SFr1.3055 from SFr1.2820; and at FFr5.2500 from FFr5.1850. The dollar's index closed at 62.8, up 0.5.

The Italian lire strengthened after the Bank of Italy sold dollars and European Currency Units at the Milan fixing. UK currency dealers suspected the Bank of Italy had also been buying lire in London although there was no confirmation of this. The D-Mark finished at L747.00 down from L749.50.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.3998	+0.55	+0.19	±1.5508
Danish Krone	7.79845	7.85654	+0.74	+0.38	±1.6453
German D-Mark	2.04446	2.06103	+0.81	+0.45	±1.1762
French Franc	6.85684	6.90216	+0.66	+0.30	±1.3618
Dutch Guilder	2.30358	2.32274	+0.83	+0.47	±1.5272
Irish Punt	0.763159	0.767886	+0.62	+0.26	±1.6689
Italian Lira	1529.70	1542.13	+0.81	+0.45	±1.5162
Spanish Peseta	132.889	129.501	-2.55	-2.91	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sep.19	Latest	Previous Close
£ Spot	1.8835 - 1.8845	1.9125 - 1.9135
1 month	1.08 - 1.07pm	1.12 - 1.10pm
3 months	3.07 - 3.04pm	3.07 - 3.05pm
12 months	10.3 - 10.2pm	10.3 - 10.2pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

Sep 19	Day's spread	Close
US	1.8810 - 1.9170	1.8845 - 1.8855
Canada	2.1815 - 2.2205	2.1875 - 2.1885
Netherlands	3.32¼ - 3.35¼	3.32¼ - 3.33¼
Belgium	60.60 - 61.30	60.65 - 60.75
Denmark	11.20¾ - 11.27	11.25¼ - 11.26¼
Ireland	1.0950 - 1.1130	1.1005 - 1.1015

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

Sep 19	£	$
Argentina	10924.3 - 11024.3	5800.00 - 5850.00
Australia	[illegible]	1.2015 - 1.2025
Brazil	132.325 - 133.340	70.20 - 70.70
Finland	6.9725 - 6.9795	3.6700 - 3.6810
Greece	294.40 - 300.40	148.50 - 157.00
Hong Kong	14.7520 - 14.7555	7.7580 - 7.7600
Iran	123.70*	66.20*
Korea(Sth)	1360.45 - 1382.45	712.80 - 718.40
Kuwait	N/A	N/A
Luxembourg	60.65 - 60.75	32.15 - 32.25
Malaysia	5.1268 - 5.1385	2.6960 - 2.6980
Mexico	5453.30 - 5496.10	2893.00 - 2894.00
N.Zealand	3.0390 - 3.0440	1.5990 - 1.6010
Saudi Ar	7.1725 - 7.1860	3.7495 - 3.7505
Singapore	3.3530 - 3.3570	1.7635 - 1.7655
S.Af (Cm)	4.8725 - 4.8795	2.5625 - 2.5640
S.Af (Fn)	7.2710 - 7.4130	3.8240 - 3.8985
Taiwan	51.80 - 51.90	27.25 - 27.30
U.A.E.	7.0205 - 7.0385	3.6700 - 3.6735

* Selling rate

EXCHANGE CROSS RATES

Sep.19	£	$	DM	Yen	F Fr.
£	1	1.885	2.955	259.3	9.898
$	0.531	1	1.568	137.6	5.251
DM	0.338	0.638	1	87.75	3.350
YEN	3.857	7.270	11.40	1000.	38.17
F Fr.	1.010	1.904	2.985	262.0	10.
S Fr.	0.407	0.766	1.201	105.4	4.024
H Fl.	0.300	0.566	0.887	77.87	2.972
Lira	0.453	0.853	1.338	117.4	4.481
C $	0.457	0.862	1.351	118.5	4.524
B Fr.	1.647	3.105	4.866	427.2	16.31

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
Sep	1593.0	1578.0	-	1595.0	1570.0	10,657
Oct	1597.0	1579.0	-1.0	1597.0	1572.0	1,923
Nov	1607.0	1607.0	+14.0	1607.0	1607.0	0
Dec	-	-	-	-	-	51

Estimated volume 6,968 Total Open Interest 12,621

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm.	15	Robert Fraser & Ptrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Beneficial Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh.	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of Nth East	15	Mount Banking	15		
Co-operative Bank	15	Nat Bk of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Sovereign 8.5%. Top Tier-£50,000+ Instant access 13.7% ¶ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

MONEY MARKET FUNDS

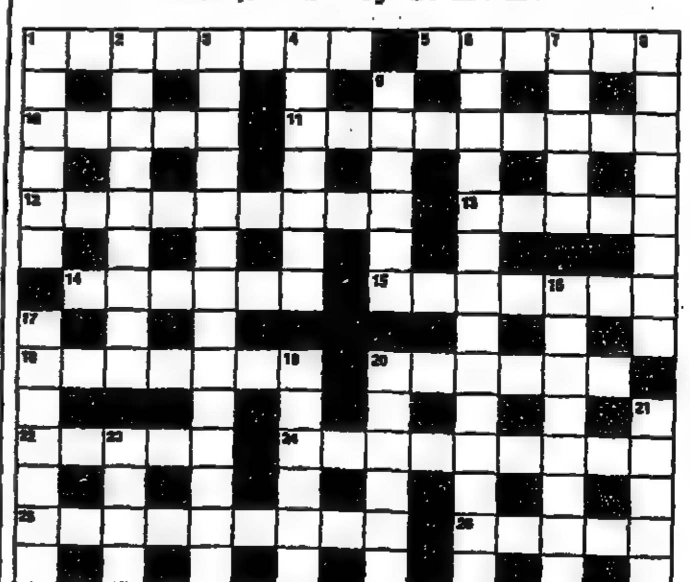
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,346 Set by GRIFFIN



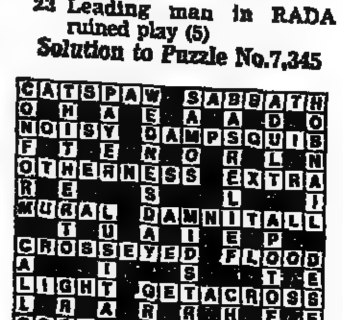
ACROSS

1 Found awl accidentally dropped in stout (6)
5 Condition includes acceptable figure (8)
10 Delivery vehicle, even when containing nothing (6)
11 Hang around home with very good sewer (9)
12 Claim pier conversion is experimental (9)
13 Anything unacceptable mercury's turned into (6)
14 Drives round to wife outside (6)
15 Discovered doctor decided to go without (7)
18 Clergyman embraces Susie at sea, not in service (7)
20 Engineer burning to go into scholar's films (6)
22 She lay without a back support (5)
24 Long trouble in one puma is terrible (9)
25 Wasted time embracing Lawrence after I arrived back (8)
26 Vehicle near stable, finally entering (6)
27 Easy-assembly case for navy pants (6)
28 Elderly reps improved first, as forecast (8)

DOWN

1 Cushion boy stuffed with paper and string (6)
2 Shapeless mother rejected our posh dress (9)
3 After crushing defeat is not at correct London terminal (8,7)
4 Cardinal in American church cuts down (7)
6 List of instructions given on tablets? (3,12)
7 Slim guide leader's obsession (5)
8 Still restrained, say when (8)
9 Large round hole in screw (6)
16 People can loiter without mourning (9)
17 Being unfaithful, lieutenant turned Andrey out (8)
19 Tax disc once seized by agent (6)
20 Vehicle in which he'd first delivered cheese (7)
21 Frustrated girl introduced father (6)
23 Leading man in RADA ruined play (5)

Solution to Puzzle No.7,345



MONEY MARKETS

London rates firm

LONDON money market rates recovered from an early bout of weakness to close slightly firmer yesterday after a sharp decline in sterling.

Three-months inter-bank money was quoted at 14 13/16-23/32 per cent, up 1/32 point on the previous close and 1/16 above earlier lows. One month money was down 1/16 at 14 13/16-¾ per cent, while one year was unchanged at 14½-¼.

In the futures market December short sterling was unchanged at 85.67, but 3 points below its opening level.

Once again the Bank of England adopted a more generous attitude towards the money market, leaving it only £47m short at the end of the day. In its daily credit operations the bank bought a total of £503m bills compared with its forecast money market shortage of £550m.

During the morning the Bank purchased £316m of bank bills in band 2 at 14¾ per cent. After lunch it bought an additional £127m of band 1 bills at 14¾ per cent. Finally, late assistance of around £60m was provided.

Among factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained £314m.

Exchequer transactions absorbed a further £20m and a rise in the note circulation a further £95m.

In Frankfurt call money was unchanged at 7.95-8.05 per cent after the Bundesbank, as expected, injected additional liquidity in its regular tender for securities repurchase funds. The Bundesbank accepted bids for a total of DM23.4bn at this week's two-tranche tender, more than offsetting two expiring pacts worth a total of DM21.4bn. It offered DM14.4bn of 28-day funds at 7.95-8.15 per cent and DM9.0 of 56-day funds at 8.00-8.20 per cent.

In New York the Federal Reserve, as expected, refrained from open market operations. At the normal time of the Fed's credit market operations, Federal funds were trading at an unchanged level of 7 13/16 per cent.

In early dealing, Fed funds had been trading at 7¾ per cent following a decline towards the previous close due to technical factors. But funds edged higher after the Fed refrained from open market operations. Over the past few days the US money market has speculated about an easing in monetary policy but that now seems less likely.

UK clearing bank base lending rate 15 per cent from October 5, 1989

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

Sabre FUND MANAGEMENT LIMITED
INSTITUTIONAL FUTURES FUND MANAGEMENT
PROFIT FOR THE YEAR ENDING 31 AUGUST 1990 +25%*
*Composite performance of all accounts in US Dollars
For further information, please contact John Denoise, Sabre Fund Management Limited, 20 St Dunstan's Hill, London EC3R 8HY Tel: 071-621 0156
MEMBERS AFBD (UK), NFA (USA)
Past performance is no guarantee of future performance

IG INDEX TELEPHONE: 071-828 7233 AFBD MEMBER
FTSE 100 Sept. 2063/2073 -11 Dec. 2117/2127 -11
WALL STREET Sept. 2551/2563 -9 Dec. 2578/2590 -9
5pm Prices. Change from previous 5pm close
HOW WELL DID YOU JUDGE THE MARKET?

CAL MEMBER AFBD
DOLLAR Where Next? Call for our current views
CAL Futures Ltd Windsor House 50 Victoria Street London SW1H 0NW Tel: 071-799 2233 Fax: 071-799 1321

WORLD STOCK MARKETS

AUSTRIA

September 19	Sch	+ or −
Austrian Airlines	2,890	−30
Creditanstalt	4,400	−208
Erste Allgemeine	20,200	−280
Jungbunzlauer	11,100	−400
Laenderbank	1,200	
OeMV	8,950	−60
Perlmooser	1,520	+20
Radex	810	−7
Reininghaus	1,930	−30
Steyr-Daimler	159	+1
Veitscher Mag	800	
Verbund	475	
Wienerberger	4,800	+2

BELGIUM/LUXEMBOURG

September 19	Frs.	+ or −
Arbed	3,520	−180
B.B.L.	2,600	−30
Bank Intl. a Lux	14,700	
Banque Gen. Du Lux	13,900	−100
Banque Nat Belg	33,050	−25
Barco	1,615	−55
Bekaert B	7,800	−200
Ciment CBR	6,600	−130
Cobepa	4,860	−40
Do. AFV 1	4,860	+10
Cockerill	151	−7
Colruyt	2,290	−35
Delhaize	5,510	−90
EBES	3,925	−40
Do AFV 1	3,820	−25
Fabrique Nat	171	−8
GIB Group	1,270	+14
Do. AFV	1,266	
GBL(Brux)L	3,420	+10
Do AFV 1	3,395	−5
Gechem	682	−18
Do AFV	686	−14
Generale Bank	4,320	
Do. AFV 1	4,455	−100
Gevaert	7,500	−40
Intercom	3,170	−10
Do. AFV 1	3,020	−15
Kredietbank	3,315	−80
Do. AFV	3,725	−35
Pan Holdings	13,200	
Petrofina	10,425	−25
Raffinerie Tirle	3,205	
Royale Belge	4,950	−35

FRANCE (continued)

September 19	Frs.	+ or −
Beghin-Say	792	−7
Do Certs	631	
Bongrain	2,825	−67
Bouygues	428	−8.5
CGIP	920	+10
CMB Packaging	123.5	−1.5
Carrefour	3,198	+23
Casino	127	−1
Cetelem	336	−4
Chargeurs	779	+1
Ciments Fr	1,155	−30
Club Mediterranee	410	
Coflfi	388	−2
CGE	490.2	−8.4
Coparex	710	+10
CCF	162	
Cred Foncier Fr	952	−4
Cred Lyonn (CI)	640	−20
Credit National	1,080	−22
Damart	2,290	−100
Docks de France	3,111	−49
Dollfus-Mieg	380	−3
Dumez S.A.	600	−4
Eaux (Cie Gen)	2,072	−10
Ecco	324	−10.9
Elf-Aquitaine	694	−5
Do Certs	484	−1.2
Epeda-Bertrand	900	−54
Essilor	371	
Eter	1,750	−10
Eurafrance	1,400	−25
Eurocom	1,516	−34
Euro Disneyland	83	−1.5
Euromarche	3,030	+30
Exor	1,399	31
Finextel	133.1	−0.9
Fonciere Lyons	700	−22
Fromageries	1,825	−25
GTM-Entrepose	1,355	+25
Gaumont (Soc N)	915	−5
Gen Geophysique	1,406	+10
Gen Occidentale	547	−3
Hachette	168	−4
Havas	490.9	+2
Imetal	233	−1
Immeubles de Fr	1,225	−23
Immobanque	640	−14
Industrielle	4,510	
Interbail	370	
Intertechnique	1,010	−20
LVMH	3,261	−33

INDICES

NEW YORK

DOW JONES	Sept. 18	Sept. 17	Sept. 14	Sept. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2571.29	2567.33	2564.11	2582.67	2999.75 (16/7)	2483.42 (23/8)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.11	89.35	89.54	89.65	93.04 (3/1)	88.48 (2/5)	—	—
Transport	901.44	887.94	889.42	898.11	1212.77 (6/6)	861.31 (23/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	200.52	199.89	199.20	201.46	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2587.87 (2585.89) Low 2524.26 (2537.13)

STANDARD AND POOR'S

	Sept. 18	Sept. 17	Sept. 14	Sept. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	318.60	317.77	316.83	318.65	368.95 (16/7)	307.06 (23/8)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	376.71	375.83	374.60	376.88	437.37 (16/7)	362.23 (23/8)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.77	22.90	22.93	23.25	31.87 (3/1)	22.77 (18/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	174.88	174.62	174.15	175.16	201.13 (16/7)	168.88 (23/8)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	319.69	321.71	321.45	322.01	382.45 (5/1)	315.85 (23/8)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	372.21	374.11	374.41	376.18	469.60 (16/7)	360.22 (23/8)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept 14	Sept 7	Aug 24	year ago (approx.)
Dow Industrial Div. Yield	3.95	3.86	4.29	3.76

	Sept 12	Sept 5	Aug 29	year ago (approx.)
S & P Industrial div. yield	3.28	3.24	3.24	2.81
S & P Indl. P/E ratio	15.44	15.47	15.47	14.42

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Fannie Mae	2,297,500	27½	− 1½
Phillip Morris	2,283,100	45¼	+ ¼
Prime Motor	2,281,700	[illegible]	− [illegible]
Gen Electric	2,204,000	58¼	− ¼
Pepsico	1,901,600	23¾	− ¼
IBM	1,674,200	107¼	+ 2⅛
Wal-Mart Stores	1,671,000	27	+ ⅛
Chase Man	1,580,100	15	− ⅛
Primerica	1,451,300	23¼	− 2⅛
Bristol MY	1,425,400	59¾	− ¼

TRADING ACTIVITY

† Volume Millions	Sept. 18	Sept. 17	Sept. 14
New York	141,130	110,600	133,390
Amex	8,480	9,250	8,727
NASDAQ	115,073	94,017	103,494
Issues Traded	1,960	1,941	1,935
Rises	619	673	451
Falls	830	765	1,005
Unchanged	511	503	479
New Highs	20	13	6
New Lows	188	152	171

CANADA

TORONTO	Sept 18	Sept 17	Sept 14	Sept 13	1990 HIGH	1990 LOW
Metals & Minerals	3062.06	3034.67	3010.10	3050.90	3453.05 (4/1)	2850.80 (23/8)
Composite	3266.69	3262.00	3253.68	3264.39	4009.47 (3/1)	3253.68 (14/9)
MONTREAL Portfolio	1716.52	1708.08	1698.67	1706.51	2060.90 (3/1)	1698.67 (14/9)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sept. 19	Sept. 18	Sept. 17	Sept. 14	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1451.7	1472.3	1477.5	1480.1	1713.7 (12/1)	1434.5 (30/8)
All Mining (1/1/80)	728.0	739.2	736.4	738.2	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	463.86	467.81	482.32	505.08	703.29 (19/3)	463.86 (19/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5246.06	5336.27	5397.28	5476.58	6599.45 (12/1)	5243.52 (23/8)
DENMARK						
Copenhagen SE (3/1/83)	351.73	353.40	355.61	358.29	398.29 (20/7)	347.69 (23/8)
FINLAND						
Unitas General (1975)	450.4	460.6	471.5	477.2	677.3 (23/1)	450.4 (19/9)
FRANCE						
CAC General (31/12/82)	433.02	436.06	437.60	443.95	564.62 (30/5)	417.98 (22/8)
CAC 40 (31/12/87)	1570.28	1579.95	1604.02	1614.95	2129.32 (20/4)	1546.51 (21/8)
GERMANY						
FAZ Aktien (31/12/58)	634.66	647.66	654.72	667.77	832.32 (19/7)	634.66 (19/9)
Commerzbank (1/12/53)	1820.3	1856.8	1876.4	1915.2	2414.0 (3/4)	1820.3 (19/9)
DAX (30/12/87)	1487.54	1507.27	1541.15	1554.07	1968.55 (30/5)	1487.54 (19/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2980.95	2996.66	3019.87	3062.04	3559.89 (25/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1283.70	1290.66	1278.74	1294.00	1893.18 (22/1)	1259.61 (7/9)
ITALY						
Banca Com. Ital. (1972)	583.46	595.68	608.15	613.66	763.52 (14/6)	583.46 (19/9)
JAPAN						
Nikkei (16/5/49)	23726.17	23894.82	24365.60	24897.46	38712.88 (4/1)	23726.17 (19/9)
Tokyo SE (Topix) (4/1/68)	1799.72	1816.35	1860.19	1895.68	2867.70 (4/1)	1799.72 (19/9)
2nd Section (4/1/68)	3449.74	3474.99	3544.15	3586.82	4477.16 (16/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	525.18	528.43	533.88	543.62	632.22 (1/8)	480.77 (23/8)
NETHERLANDS						
CBS TU Rtn.Gen.(End 1983)	243.2	243.1	244.3	244.7	271.9 (20/7)	236.7 (23/8)
CBS All Shr (End 1983)	178.5	178.5	179.4	181.3	206.3 (3/1)	176.1 (24/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	864.77	875.79	871.29	870.98	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	621.51	615.39	625.57	642.30	1160.70 (22/5)	615.39 (18/9)
SINGAPORE						
SES All-Singapore (2/4/75)	333.43	334.78	338.35	346.76	446.87 (16/7)	321.66 (23/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	1484.0	1533.0	1566.0	1568.0	2298.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2690.0	2731.0	2799.0	2832.0	3211.0 (6/2)	2698.0 (19/9)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	592.80	589.42	566.27	603.52	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	225.06	224.76	230.18	233.42	309.74 (16/7)	224.76 (18/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1090.1	1089.6	1112.7	1123.6	1329.9 (5/7)	1086.4 (23/8)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	662.7	666.8	673.3	678.7	845.5 (13/7)	656.4 (23/8)
TAIWAN**						
Weighted Price (30/6/66)	3159.27	3291.65	3396.51	3480.47	12495.34 (10/2)	3135.56 (24/8)
THAILAND						
Bangkok SET (30/4/75)	686.63	687.93	702.48	759.98	1143.78 (25/7)	686.63 (19/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	460.0	463.7	466.8	571.0 (4/1)	448.3 (24/8)

**Saturday September 15: Taiwan Weighted Price: 3362.25. Korea Comp Ex. 590.62
§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 19 September 1990

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	19.7m	535	+19
Iseki	10.5m	1,160	−10
Kurabo	9.5m	1,800	+120
Osaka Gas	8.8m	490	+9
Nippon Stl	7.7m	446	−10
Komatsu	6.8m	1,020	−20
Toshiba	6.3m	675	−5
Hitachi	5.1m	1,190	−10
Shizuoka Bank	5.1m	1,030	+30
NKK	4.8m	431	−14

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

3pm prices September 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	14⅛	AAR	.48	3.3	9	854	15¼	14⅝	14¾	
9⅛	7¾	ACM n	1.01	13.		121	8¼	7⅞	7⅞	
11⅝	9⅜	ACMIn	1.26	13.		782	9⅝	9⅜	9½	
9⅞	6⅞	ACM M	n1.01	15.		372	6⅞	d 6¼	6⅞	
12¾	10	ACMMM	1.50	13.		126	11¾	11½	11⅝	
11½	9¼	ACM Sc	1.26	13.		906	9½	9¼	9⅜	– ⅛
9⅝	7¾	ACMSp	1.01	13.		499	8	7⅞	7⅞	
24⅝	14⅝	AL Lab	.16	.8	17	155	19⅞	19½	19½	– ¼
6⅝	1¼	AM Intl				530	1½	1⅜	1½	
23⅛	7	AM In pf	2	24.		37	8⅝	8⅜	8⅜	
107¼	41⅝	AMR			9	4947	43⅛	42¼	42¼	– ¾
28½	25	AMR pf	2.67	10.		1	25⅞	25⅞	25⅞	+ ¼
4¼	2⅞	ARX			10	10	3¼	3¼	3¼	
72⅞	42	ASA	3a	6.3		161	48¼	47⅝	47⅞	– ⅝
46⅞	30⅝	AbtLab	s.84	2.0	20	7192	42	40⅝	41⅛	– ½
14⅞	11¼	Abitibi g	.50			8	13¼	13¼	13¼	
11⅝	5⅞	AcmeC	.40	6.7	7	127	6⅛	5⅞	6	– ⅛
9⅝	6¼	AcmeE	.32	4.9	8	7	6½	6½	6½	+ ⅛
32⅞	16⅞	Acuson s			25	749	29⅝	29¼	29⅝	
16⅞	14⅛	AdaEx	2.08e	14.		116	15¼	15⅛	15¼	+ ⅛
16⅞	10	Adobe				69	13	12⅞	13	+ ⅛
20⅛	17⅜	Adob pf	1.84	10.		8	18	18	18	
21⅝	20⅛	Adob pf	2.40	12.		10	20⅛	20⅛	20⅛	
11⅞	4⅞	AMD			23	1208	6¼	5½	5⅝	
32⅜	23¾	AMD pf	3	13.		57	24	d23	23¼	– ½
9¼	2⅞	Advest	.16	5.6	36	238	3	2¾	2⅞	
62½	41	AetnLf	2.76	6.7	7	2553	41⅞	41¼	41½	– ⅜
13⅜	8¼	AffilPb	.24	2.5		349	9⅝	9½	9⅝	
25	15⅝	Ahmans	.88	5.5	7	2014	16⅛	15⅞	15⅞	– ⅛
3⅛	1⅞	Aileen			7	22	2⅜	2½	2⅜	+ ⅛

[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
41	33½	SCEcp	2.64	7.4	9	1918	36½	35⅛	36½	
14½	8½	SCOR U	.20	2.2	12	24	9¼	9⅛	9¼	+ ⅛
9½	4⅝	SL Ind	.16	2.8	115	23	5⅞	5¾	5¾	− ⅛
56½	30¾	SPSTec	1.28	3.6	18	3	35¼	35¼	35¼	− ¼
36⅝	20½	SPX Cp	1	4.3	15	70	23⅛	23¼	23¼	− ¼
17¼	2⅛	Saatchi	.10j			3484	2¼	d 2	2⅛	− ⅛
14⅝	10⅞	SabnR	1.30e	10.	9	26	13¼	13	13¼	
11⅝	6	Salecrd	.15	1.8	8	257	8½	8¼	8½	+ ⅛
16¼	10⅛	SfgdSc			10	11	12	12	12	
44⅞	27⅞	SafKln	.40	1.0	27	1407	38¼	37⅛	38⅝	+ ⅝
19⅞	11⅝	Safewy n				170	13½	13¼	13⅜	+ ⅛
4⅝	2½	Sfwy wt				235	2⅞	2⅞	2⅞	
9⅛	5¼	SahCas	1.12	19.	21	186	6¼	5⅞	5⅞	− ⅛
48¾	30⅜	StJoe n	.20	.6		73	31⅞	31⅛	31⅞	+ ⅜
27⅞	21⅞	StJoLP	1.60	6.7	10	6	23¼	23¼	23¼	
24¼	2	vjSalant				2	2⅞	2⅞	2⅞	
56½	34¾	SallieM	.52	1.3	14	2219	40½	38½	38¼	− ¼
27	20	Salomn	.64	2.5	8	4258	26⅛	25⅝	25⅝	− ¼
14¼	10½	SalmBr	1.79e	16.		337	11⅛	10⅞	11	− ⅛
45⅝	39½	SDieGs	2.70	6.6	11	122	41	40½	40⅝	+ ⅛
9¼	6⅝	SJuanB	.36e	4.6	22	50	7⅞	7⅝	7⅞	
32⅞	23¼	SAnltRt	2.08	8.8	18	24	23¾	23½	23⅝	− ⅛
12	4¼	SFeEP	.80	12.		52	6½	6⅝	6⅝	+ ⅛
22⅛	16¼	SFER n	.08e	.4		62	22	21¾	21⅞	− ⅛
28	22	SFePP	2.60	9.7	8	64	27	26¾	26⅞	
24⅛	14½	SFePCp	.10e	.6		2048	16	15½	15⅞	
33¾	24⅛	SaraL s	.84	3.2	14	2566	26⅞	26¼	26⅜	+ ⅛
52	49⅛	SaraL pf3	.68e	7.4		4	50	50	50	
9-16	7-64	Savin				1201	9-64	⅛	9-64	+ 1-64
35¼	30¼	SCANA	2.52	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅛	8¼	WyleLb	.28	2.5	10	89	11¼	11⅛	11⅛	
26⅛	16¼	Wynns	.60	3.6	11	37	16⅞	d16¼	16½	− ½
		− X−Y−Z −								
66⅛	36⅛	Xerox	3	7.8	7	1021	39	d37⅞	38	− ⅛
22⅞	16⅛	XTRA	.72	4.0		10	18	18	18	
25	16⅛	XTRA pf	1.94	12.		5	16⅜	16⅝	16⅝	− ⅛
4	1⅛	Zapata				128	1½	1⅜	1⅜	
17⅞	5⅞	ZenithE				200	5⅝	5⅝	5⅝	
8⅞	4½	Zenix	.93	18.		102	5⅛	5⅛	5⅛	
18½	10¾	Zero	.40	3.7	11	37	10⅞	10¾	10⅞	− ⅛
61⅛	34⅝	Zurnin	.76	2.1	16	534	40⅞	35¼	35¼	−4⅛
12⅝	10⅝	Zweig	1.21e	11.		82	10¾	10⅝	10¾	
10	8½	ZweigTl	.96	11.		1815	8⅞	8⅝	8⅞	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices September 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
		− H−H −					
Hampil	1.27t		8	8	6	6	
Hasbro	.20	10	368	14⅛	13⅝	13⅞	− ⅛
HlthCh			3	⅛	⅛	⅛	− 1-16
Hilvst			137	2	d 1⅞	1⅞	− ⅛
HerltEn			175	1⅞	1⅞	1⅞	+ ⅛
Hlthav n			209	1½	1⅜	1½	
HollyCp	.40	11	5	27⅛	27	27	− ⅛
HrnHar			67	3⅝	3⅜	3½	
HovnEn		4	9	3⅞	3⅞	3⅞	
		− I−I −					
[illegible]							
		−O−P−Q−					
OEA s		22	7	28	27	[illegible]	
OMI	.05e	8	139	6⅛	[illegible]	[illegible]	
Olsten	.24	10	22	11¾	[illegible]	[illegible]	
PallCp	.56	16	481	27½	[illegible]	[illegible]	
PegGld	.10e	31	456	11⅞	[illegible]	[illegible]	
PeopBc	.60	8	4	14½	[illegible]	[illegible]	
PlHeal	1.70		4	11⅞	[illegible]	[illegible]	
PhLD	.14e	4	57	9	[illegible]	[illegible]	
PitDsm	.80	12	5	30	30	30	
PitWy A	1.10	8	18	20⅜	20⅛	20½	
[illegible]							

THE NEW FACE OF BRITISH BROADCASTING

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Neville Woodcock
on 071-873 3365

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Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

NASDAQ NATIONAL MARKET

3pm prices September 19

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wolv wt		65	4⅛	4	4⅛	+ ⅛
Worthg	.60	15	286	20¼	20	20 − ⅛
Wyman	.60	258	9½	9	9½	+ ⅛
		−X−Y−Z−				
XL Dta	4	58	7⅛	6⅞	6⅞	− ⅛
XOMA		2310	18	16⅞	17	
Xicor		10595	1⅝	d 1	1½	
YanEnS	1.62e	15 51	19⅛	18½	18½	− ⅛
YelowF	.82	43 291	22	d21⅛	21⅛	− ⅞
YorkRs		12 762	9⅞	9⅛	9⅝	− ⅛

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

AMERICA

Mr Greenspan's remarks put equities on defensive

Wall Street

REMARKS by Mr Alan Greenspan, Federal Reserve chairman, who displayed considerable concern about inflation and, therefore, caution about lowering interest rates, put equities on the defensive yesterday, although selling did not produce large losses, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was 16.83 lower at 2,554.46 on moderate volume of 91m shares. On Tuesday, the Dow had risen 3.96 to 2,571.29.

Mr Greenspan said that the core rate of inflation had edged higher in spite of the sluggishness in business activity this year. He also said that he had seen no cumulative unwinding of economic activity, suggesting that the central bank still sees slow growth rather than a recession ahead.

Although Mr Greenspan still seemed to see scope for lower interest rates on a credible budget accord, he expressed concern about the effect on the yield curve of any easing in monetary policy. He appeared to be referring to a marked steepening in the yield curve in recent weeks as long-dated Treasury bond yields have risen sharply reflecting concerns about inflation, particularly since the surge in oil prices since August.

On interest rates, Mr Greenspan said that monetary policy would depend on the specifics of the situation which are shifting day by day.

Financial markets were also digesting the latest Tan Book of regional economic reports from Federal Reserve banks, which said that economic activity in most areas was expanding more slowly or declining and that retail sales and consumer spending were tending to weaken.

The equity weakness came in spite of a steady performance in the long end of the bond market, which was cheered by Mr Greenspan's remarks on inflation and in spite of lower crude oil prices.

There was a lengthy opening delay in Merck shares yesterday morning after Vector Securities downgraded the stock to hold from accumulate, citing increasing evidence that the company's prostate drug, Proscar, has "no meaningful impact" on symptoms associated with enlarged prostates. Merck was down $3⅜ at $76⅝.

Waste Management gained $⅝ to $34¾ after its board approved plans to repurchase up to 25m common shares, or about 5.1 per cent of its shares outstanding, over two years.

Pitney Bowes slumped $3⅝ to $30½ after the company said that its earnings this year would be below those achieved in 1989 because of an expected charge of $86m against its third-quarter results, associated with a shift of its strategy in its photocopier business.

Corroon & Black dropped $⅝ to $35¼ after the company rejected Aon's $40-a-share takeover proposal and said that it planned to proceed with a stock swap merger with Willis Faber of the UK.

JWP jumped $2⅛ to $22¾. The stock was to be added to the Standard & Poor's 500 index at the close yesterday. Component stocks of this index tend to attract demand because many large portfolio managers build portfolios designed to mirror the S&P 500.

Canada

TORONTO stocks remained stuck in a four-point range at midday. The composite index gained 0.3 to 3,267.0 on volume of 11.6m shares. Declines led advances by 248 to 167.

Dofasco firmed C$⅜ to C$19 after announcing that it had signed a joint venture agreement to construct a C$240m galvanising line in Canada. Stelco shares recovered C$½ to C$14¼ after news on Tuesday that it had cut its common quarterly dividend to 12½ cents per share from 24 cents.

Northern Telecom rose C$½ to C$27. Northern Telecom said on Tuesday it had won a C$7.7m contract with Digital Telecommunications.

Malaysia presses ahead with privatisation

The Gulf crisis has not torpedoed the Telekom flotation, writes **Lim Siong Hoon**

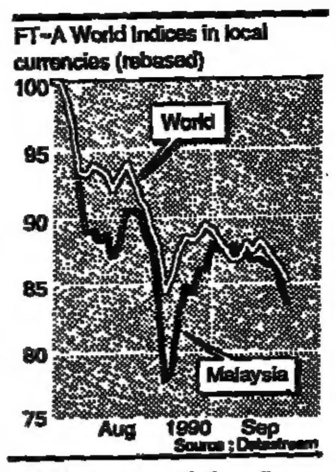
MALAYSIA'S underlying strength as a net oil exporter has failed to support the Kuala Lumpur stock market since Iraq invaded Kuwait. There was little movement yesterday, but by Tuesday of this week the market had lost more than 16 per cent in local currency terms since August 1, as measured by the *FT-Actuaries* World Indices, against 12.3 per cent for the Pacific Basin ex-Japan, and 14.7 per cent for the world at large.

Much of the blame reflects Kuala Lumpur's susceptibility to the Tokyo market – down 18.6 per cent over the same period – rather than to actual events in the Gulf. Official reactions to the market weakness have been marked more by more irritation than anxiety, and the Malaysian Government clearly believes that equities will reflect the economic background, sooner rather than later.

Thus the state-owned monopoly, Telekom, announced on September 12 that it would press ahead with its scheduled flotation later this year, contrary to speculation. Simultaneously the Government revealed that Malaysia's real gross domestic product (GDP) during the first half of this year grew by 9.5 per cent as against a forecast for 1990 of 9 per cent.

The stock exchange is a cornerstone in Malaysia's privatisation programme, and Telekom holds a special place in this, for three reasons:

- first, as a flagship listing anticipated at home and abroad. At M$2.5bn (US$927m), or 25 per cent of the Telekom equity capitalisation at the offer price, the new issue will provide a financial litmus test for the stamina of the market;
- second, the flotation should help pump new life into the market's narrow, provincial image, especially at a time when market values have dived since August 1; and
- third, it will give diversity and a measure of corporate maturity to the market. "There aren't many stocks that can count among international portfolios, but Telekom happens to be one of them," says Mr Lau Yew Kong, a research manager at the brokers, CIMB Securities.



Kuala Lumpur is primarily a domestic market, dominated by local players and prone to speculative instincts. But it is vulnerable to sentiment in Tokyo, Hong Kong and Taiwan, which have been a significant source of investment in recent months.

Economically, too, Malaysia is not as insulated from events abroad as its people are encouraged to believe. Its foreign trade amounts to more than 100 per cent of GDP, compared with 40 to 70 per cent in neighbours such as Thailand and the Philippines.

While bigger oil revenues, from higher crude prices and output, will help bolster the economy, anti-inflationary macro-economic policies would be equally helpful. After procrastinating for more than six months, the Government last week allowed the prime rate to rise – but only by 0.5 per cent, when interbank and deposit rates have risen by more than 1 per cent since January.

Economic plans for high growth, of between 7 and 9 per cent a year for the next decade, have given a bullish tone to analysts' calculations. They say, for example, growth in Malaysia's telecommunications industry is one of the strongest in Asia.

Although the Telekom flotation will require a quantum leap in demand (Kuala Lumpur raised just M$3bn last year), no one seems to doubt that the subscription will be met. The July public sale of Edaran Otomobil Nasional (EON), the local Proton car distributor, drew M$1.3bn as against its target of M$56m.

There are unwritten laws which aid this process. The market's supply capacity is directed towards new listings, rather than rights offers from existing quoted companies which, in recent months, have been curtailed. Demand, too, is often stoked up by keeping offer prices deliberately low. EON was pegged at 13 times earnings, against the market's price/earnings average of 23. The result was an oversubscription of 22 times.

At M$5 a share, Telekom's price is 11 times against the M$900m 1991 forecast earnings (M$500m in 1990). A little over half of Telekom's 500m-share offer, 13 per cent of the group, is placed with state institutions. Management and employees take 100m shares and the balance of 148m will raise M$740m on the Kuala Lumpur market.

ASIA PACIFIC

Nikkei fluctuates before ending at 1990 low

Tokyo

CONFLICTING influences led to indecisive trading yesterday; the Nikkei index fell for the fifth day running and registered a new low for the year, *writes Michiyo Nakamoto in Tokyo.*

Share prices were moderately strong at the start of trading. New York's small rise on Tuesday, in spite of discouraging US trade and consumer price figures, added to the brighter mood. Firmness in futures spilled into the cash market and the Nikkei gained more than 200 points, taking it briefly above 24,000 in the morning.

The upward momentum fizzled out, however, as futures prices weakened. After another burst of strength in late trading, also supported by a rebound on the futures market, the Nikkei succumbed to index-linked selling and closed with a loss of 158.65 at a low for the day, and for the year, of 23,726.17. The day's high was 24,131.29.

Declines led rises by 565 to 358. Turnover decreased from 400m to 360m shares, the Topix index of all listed stocks lost 16.61 to 1,799.72 and, in London, the ISE/Nikkei 50 index eased 2.13 to 1,353.38.

Yesterday saw substantial cross trades as financial institutions sought to realise profits. Meanwhile, investors took a more sober view of market rumours which had enlivened proceedings on Tuesday. Talk that Japan's big four securities houses would ask the authorities to support the market, for example, tailed off.

Press reports about the banks' difficulties in meeting capital adequacy ratios, the bear market and an uncertain outlook for property prices have made prospects for the banking sector look grim.

Several Japanese banks have had their credit ratings downgraded or "watch" listed by a leading credit rating company. Rumours abound that some of the smaller regional banks are likely to go under. Bank shares, therefore, continued to slide, with Industrial Bank of Japan down Y110 at Y2,490. Fuji Bank fell 6.5 per cent or Y140 to Y2,040 as investors regarded its shares as expensive relative to other majors.

High-technology issues fell on worries about the weakness of the economy in the US, to which many are major exporters. Canon, the camera and precision equipment maker which has a high export ratio of 75 per cent, lost Y30 to Y1,500. Pioneer Electronic, with an export ratio of 47 per cent, declined Y120 to Y4,500.

In Osaka, lacklustre trading saw the OSE average gain a modest 48.06 to 26,027.74. Volume rose sharply to 260m shares from Tuesday's 174m, although 230m were said to be cross trades.

Roundup

TRADING WAS thin throughout the Pacific Basin yesterday, and most markets ended the session lower.

AUSTRALIA fell in programme-related trading and on worries about the Adelaide Steamship group of companies. The All Ordinaries index lost 20.6 to 1,451.7 in turnover of A$142m, near Tuesday's level.

Adsteam, the diversified manufacturing group, fell 36 cents to A$2.29, after losing 33 cents on Tuesday. The share price fall has accelerated since comments on the company's finances by Sir Ron Brierley, the investor. Adsteam's associates, David Jones and National Consolidated, lost 56 cents to A$4.50 and 15 cents to A$1.80.

HONG KONG made its fifth loss in a row in the thinnest day's trading for almost two years. The Hang Seng index fell 15.71 to 2,980.95 in turnover down from Tuesday's HK$599m to HK$385m – the lowest since HK$297m on October 6, 1988.

New World Development dropped 20 cents to HK$9.10 on fears that the company would be affected by financial troubles at Prime Motor Inns Inc, which is filing for protection in the US under chapter 11 of the bankruptcy code. New World took over Prime Motor Inns' non-US Ramada interests earlier this year, but later reports said that the two groups were not connected.

TAIWAN dropped on continued worries over surging oil prices and their affect on inflation. The weighted index fell 132.38 to 3,159.27. Turnover sank to a 15-month low at NT$16.1bn from NT$17.2bn.

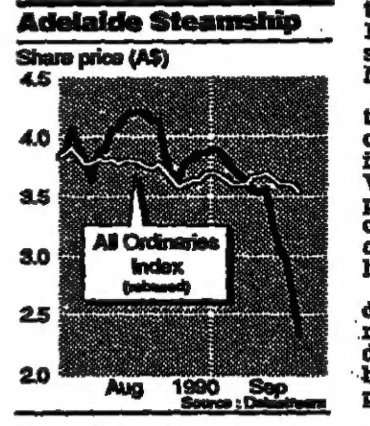
MANILA rose for the first time in over a week, but closed off the day's high. The composite index gained 5.12 at 821.51. Volume was subdued at 63m pesos (83m on Tuesday) as the outcome of talks on the future of US military bases in the Philippines was awaited.

SEOUL firmed for a second day on hopes that government measures announced on Monday would encourage investors back to the market. The composite index rose 3.35 to 692.63.

SINGAPORE declined in lethargic trading. The Straits Times Industrial index shed 6.53 to 1,172.45 and volume fell to S$56m from S$73m. In KUALA LUMPUR, the composite index eased 3.35 to 525.19.

BANGKOK shed early gains on concern about high oil prices, rising interest rates and tight liquidity in the money market. The SET index lost 1.30 to 686.63.

Adelaide Steamship



South Africa

JOHANNESBURG stayed under pressure as private investors sold, although there was some bargain-hunting at the lows. The all-gold index dipped to 1,484 before closing 27 lower at 1,506. The all-share index dropped 24 to 2,743.

EUROPE

Company news reinforces bearish mood in bourses

LIFE WENT on in bourses yesterday, as Paris and Brussels, in particular, saw batches of company news, but there was little spice in share prices, *writes Our Markets Staff.*

FRANKFURT hit another brace of 1990 lows as the DAX index closed 19.73 down at 1,487.54 after a 13-point drop to 634.66 in the FAZ at midsession. Volume was still depressed but high enough, at DM4.8bn against Tuesday's DM4.1m, to support reports of foreign selling.

The DAX is now nearly 35 per cent lower than its 1990 intraday peak. Professionals complained that sentiment had reached the point where fundamental investment analysis had an almost incidental effect on individual share prices.

Degab, Deutsche Bank's research arm, downgraded its forecasts for Daimler earnings by DM1 to DM50 for 1990 and by DM5 to DM49 for 1991; but Daimler shares merely followed the market down with a DM9.50 fall to DM651.50. Volkswagen, which went through the downgrading process at the end of August, dropped DM10.50 to DM419.50, a fall of more than DM40 from Monday's pre-bourse level.

Big losers of the day included a former "Ostphantasie" candidate, the building materials group Bilfinger & Berger, which shed DM40 to DM840; a failed bid stock in Linotype, down DM40 at DM700; and the upmarket hope of the motor industry in Porsche, DM50 lower at DM830.

PARIS slipped again in thin trading, with attention focused on a few blue chips and company news stories. The CAC 40 index declined 9.65 to 1,570.28, ending above its low of 1,560.12 after Wall Street opened slightly higher.

BSN, the food group, fell FFr33 to FFr735 with 268,080 shares traded. It reported lower-than-expected first-half profits late on Tuesday.

Rémy et Associés, the wines and spirits company which fell heavily after forecasting unchanged profits for 1990/91 last week, continued to suffer. It lost another FFr17 or 6.6 per cent to FFr242.

Lyonnaise des Eaux, which announced a profits rise of 18 per cent – in line with expectations – after the bourse closed yesterday, finished unchanged at FFr462.50.

AMSTERDAM was concerned that the Government's assumptions in its 1991 budget regarding oil prices and the dollar/guilder exchange rate were too optimistic. The CBS Tendency index dropped 0.3 to 99.5 in thin trading.

Many analysts were using the lull in activity to visit companies and the news from some was surprisingly good. Ms Dorothee van Vredenburch of Carnegie International, who visited Pakhoed last week, said the services and transport group was thriving on the volatility in the oil price, which was likely to produce windfall gains for its oil storage business. Ahold, also visited recently, was seeing further margin improvement as a result of its reorganisation over the last few years. Another bright spot was NMB Postbank, whose yield was now equal to the Dutch long bond of 8½ per cent.

"There are some interesting stories around but investors are scared of sitting on dead money for three months, so they are waiting until the Gulf crisis is solved," said Ms van Vredenburch.

MILAN extended its losses as the lira slipped to bottom place in the EMS on concerns that Italy's dependence on imported oil would raise inflation and lead to higher interest rates. The Comit index fell 12.22 to 583.46.

Enimont, the chemical group, was among the few shares that bucked the trend, adding L13 to L1,220 on speculation that there could be a public offer for its outstanding shares. Among industrial stocks, Fiat fell L114 to L6,501.

BRUSSELS approached its year's low as the cash market index shed 90.21 or 1.7 per cent to 5,246.06; disappointing first-half company results had added to the depression.

Acec-Union Minière, the metals company, fell BFr230 or 7.3 per cent to BFr2,900 after Tuesday's profits news; Barco, the electronics company, lost BFr55 to BFr1,615 after announcing flat six-month earnings; and Kredietbank eased BFr80 to BFr3,315 after Almanij, its holding company, reported a small rise in annual profits. But Générale Bank was unchanged at BFr4,320 after a first-half profits rise.

MADRID recovered in late trading to end slightly higher, as foreign institutions picked up bargains. The general index added 0.30 to 225.06, after standing at 222.78 at midsession. Repsol, the oil group, rose Pta90 to Pta2,315.

OSLO was struck down by political worries, which pulled the all-share index 6.70 lower to 595.76 in moderate trading worth NKr280m. There were fears that Prime Minister Jan Syse might resign after admitting to breaking Norwegian corporate laws. HELSINKI continued to slide, with the Unitas all-share index giving up 10.2 or 2.2 per cent to 450.4.

STOCKHOLM was broadly unchanged. The Affärsvärlden General index rose a marginal 0.5 to 1,090.1 in turnover of SKr347m. Ericsson free B shares climbed SKr15 to SKr1,130 before their five-for-one split, effective today.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 18 1990								MONDAY SEPTEMBER 17 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (79)	144.55	−0.2	111.68	125.59	116.34	115.28	−0.6	6.58	144.68	112.68	125.42	117.28	115.93	158.31	125.85	155.32
Austria (19)	207.59	−2.7	160.36	180.37	167.07	168.81	−3.2	1.64	213.31	166.19	184.65	172.67	172.28	285.63	193.15	149.34
Belgium (61)	137.57	−0.9	106.37	119.61	110.80	108.14	−1.3	5.36	138.99	108.28	120.31	112.51	109.51	160.02	132.11	137.72
Canada (118)	130.32	+0.3	100.69	113.22	104.88	120.19	+0.2	3.73	129.89	101.12	112.44	105.14	119.91	153.61	126.82	147.90
Denmark (33)	257.59	−0.5	199.01	223.81	207.31	207.49	−0.6	1.43	258.89	201.69	224.12	209.66	208.80	277.82	236.69	194.53
Finland (26)	115.12	−1.3	88.94	100.03	92.66	88.30	−1.2	3.01	116.67	90.85	101.00	94.44	90.02	152.23	115.12	129.49
France (122)	134.48	−0.8	103.90	116.85	108.22	108.35	−1.0	3.63	135.50	105.57	117.29	109.68	110.18	168.85	133.18	162.64
West Germany (92)	116.91	−0.6	90.32	101.59	94.09	94.09	−1.2	2.40	117.63	91.64	101.84	95.22	95.22	144.63	118.91	98.02
Hong Kong (48)	122.66	−0.6	94.77	106.57	98.72	122.17	−0.7	5.52	123.45	96.18	106.87	99.94	123.00	147.49	112.24	110.70
Ireland (17)	150.21	+2.1	116.05	130.51	120.89	122.02	+1.4	4.29	147.19	114.67	127.42	119.15	120.34	198.57	143.42	152.54
Italy (94)	88.09	−0.1	68.05	76.52	70.88	76.30	−0.6	3.12	88.13	68.66	76.29	71.34	76.80	109.28	87.35	93.55
Japan (454)	125.81	−2.8	97.20	109.31	101.26	109.31	−2.4	0.77	129.43	100.84	112.05	104.78	112.05	197.28	118.68	179.42
Malaysia (35)	210.42	−1.5	162.57	182.82	169.34	218.53	−1.4	2.77	213.53	166.36	184.84	172.84	221.71	250.89	185.23	199.92
Mexico (13)	512.72	−0.4	396.12	445.47	412.63	1620.91	−0.5	0.32	514.95	401.19	445.78	416.84	1629.38	581.41	324.53	313.12
Netherland (42)	137.22	+0.1	106.01	119.22	110.44	109.25	−0.5	5.21	137.07	106.79	118.66	110.96	109.79	149.03	130.43	128.97
New Zealand (17)	59.95	−1.0	46.32	52.09	48.25	50.86	−1.5	7.03	60.57	47.19	52.44	49.03	51.65	75.36	58.57	83.66
Norway (23)	275.04	+1.2	212.49	238.97	221.36	223.80	+0.7	1.42	271.89	211.83	235.38	220.10	222.16	278.79	202.34	186.88
Singapore (25)	161.66	−1.1	124.90	140.46	130.11	131.46	−1.1	3.16	163.45	127.34	141.50	132.31	132.91	209.24	156.96	165.22
South Africa (60)	166.48	−2.6	128.62	144.64	133.98	140.78	−2.9	4.12	170.86	133.12	147.91	138.31	145.04	251.39	168.49	154.84
Spain (42)	137.71	−2.0	106.39	119.65	110.83	101.61	−2.6	5.41	140.56	109.51	121.68	113.78	104.35	182.25	132.84	161.44
Sweden (34)	190.84	−2.4	147.44	165.81	153.59	160.82	−2.8	2.50	195.63	152.41	169.36	158.36	165.51	234.93	173.89	176.55
Switzerland (65)	94.06	−0.8	72.67	81.73	75.71	74.78	−1.1	2.84	94.84	73.89	82.10	76.78	75.61	109.77	89.75	89.91
United Kingdom (301)	158.24	−0.6	122.25	137.47	127.34	122.25	−1.4	5.67	159.21	124.04	137.81	128.86	124.04	176.18	139.67	152.69
USA (534)	128.44	+0.3	99.23	111.60	103.38	128.44	+0.3	3.84	128.06	99.77	110.86	103.67	128.06	148.85	123.62	140.93
Europe (971)	135.75	−0.6	104.88	117.94	109.25	107.16	−1.3	4.34	136.63	106.45	118.28	110.60	108.57	157.85	135.57	129.33
Nordic (116)	197.51	−1.1	152.60	171.61	158.96	156.19	−1.4	1.95	199.78	155.64	172.94	161.72	158.46	223.29	185.01	184.56
Pacific Basin (658)	126.25	−2.6	97.54	109.70	101.61	109.75	−2.3	1.18	129.65	101.01	112.24	104.96	112.35	192.75	119.53	175.98
Euro−Pacific (1629)	130.46	−1.8	100.79	113.34	104.99	109.40	−1.8	2.52	132.84	103.49	114.99	107.52	111.50	174.18	127.11	157.45
North America (658)	128.47	+0.3	99.25	111.63	103.41	127.20	+0.3	3.83	128.08	99.79	110.89	103.70	126.83	148.43	124.33	141.24
Europe Ex. UK (670)	121.32	−0.7	93.73	105.43	97.66	97.98	−1.2	3.41	122.14	95.16	105.76	98.89	99.17	145.82	121.32	114.38
Pacific Ex. Japan (204)	130.75	−0.5	101.02	113.62	105.24	111.92	−0.7	5.82	131.42	102.39	113.76	106.39	112.73	146.72	122.53	134.49
World Ex. US (1821)	131.04	−1.7	101.24	113.88	105.46	110.10	−1.8	2.58	133.34	103.88	115.43	107.94	112.15	173.77	128.14	157.19
World Ex. UK (2054)	126.26	−1.1	97.55	109.71	101.63	115.22	−1.1	2.68	127.66	99.46	110.52	103.35	116.48	162.00	121.96	150.10
World Ex. So. Af. (2295)	128.88	−1.0	99.57	111.98	103.73	115.73	−1.1	3.00	130.22	101.45	112.74	105.42	117.01	161.84	125.28	150.29
World Ex. Japan (1901)	132.10	−0.1	102.06	114.78	106.33	119.47	−0.4	4.11	132.29	103.07	114.54	107.11	119.98	151.59	130.40	136.81
The World Index (2355)	129.10	−1.0	99.74	112.18	103.91	115.90	−1.1	3.01	130.46	101.64	112.94	105.81	117.20	182.05	125.57	150.32

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